



WD-40 Company 2012 Annual Report & 10-K



A bright future built on innovation.
A global brand built on trust.

2012 Profitability Ratios

10%

Return on Sales ⁽¹⁾

12%

Return on Assets ⁽²⁾

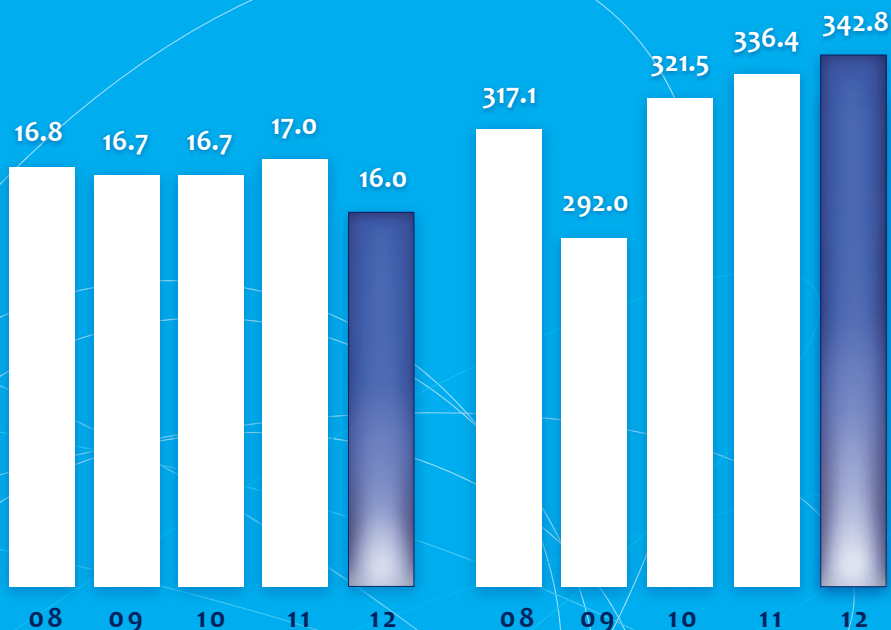
19%

Return on Equity ⁽³⁾

23%

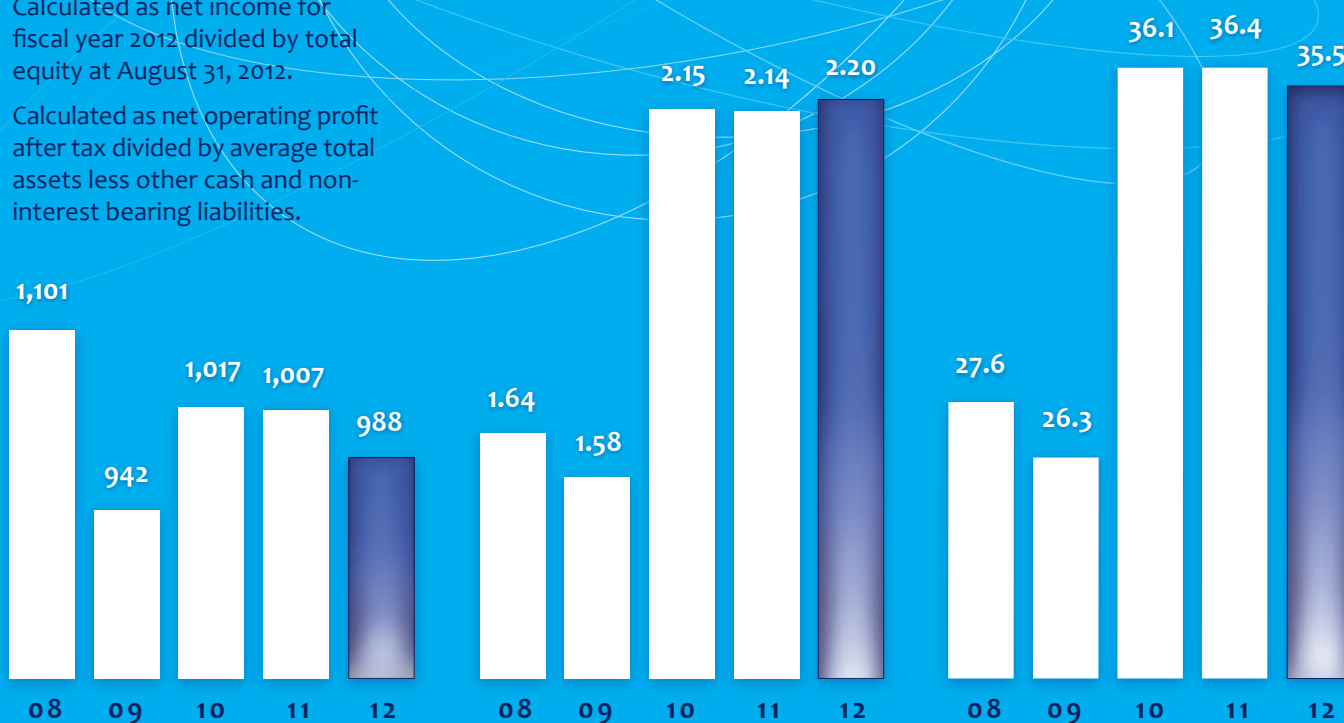
Return on Invested Capital ⁽⁴⁾

- (1) Calculated as net income for fiscal year 2012 divided by net sales for 2012.
- (2) Calculated as net income for fiscal year 2012 divided by total assets at August 31, 2012.
- (3) Calculated as net income for fiscal year 2012 divided by total equity at August 31, 2012.
- (4) Calculated as net operating profit after tax divided by average total assets less other cash and non-interest bearing liabilities.



**WTD average shares
outstanding diluted
(in millions)**

**Sales
(in millions)**



**Sales per employee
(in thousands)**

**Earnings per share
(in dollars)**

**Net Income
(in millions)**

Letter to Shareholders

1

“The future depends on what you do today.” -Mahatma Gandhi

G'day,

The overall results of fiscal year 2012 were disappointing. Despite all of our hard work to deliver on our financial goals, our revenues were only up 2% compared to fiscal year 2011. Our overall results were clearly impacted by the uncertain and turbulent business conditions in Europe. And as we continued to battle fluctuations in oil prices, our gross margin was challenged as well. Despite this, we achieved some great results in certain regions, which you will read more about later in this letter.

Nevertheless, I believe it is important to focus on the bright future that awaits this Company despite the disappointing short-term results in fiscal year 2012. Throughout the past year, we could feel the excitement in the air as we laid a stronger foundation for the future of the WD-40® brand. We can see an exciting journey emerging right before our eyes.

The world has experienced several years of market uncertainty, and as a Company we are learning to accept that this may continue for many years to come. However, acceptance of market conditions does not mean that we have to accept the impact it has on our Company.

Our shareholders have seen how the strength of our brands and our global distribution reach has enabled us to deliver stellar shareholder returns over the years. Total shareholder return (“TSR”) in 2012 increased by 21% compared to 2011. The compound annual growth rate of TSR from 2007 to 2012 was 10%. Since fiscal year 1997, when the Company’s strategy shifted, the compound annual growth rate of total shareholder return has been 8%. This means that if you invested \$100 back in 1997, the value of your investment in 2012 would be \$302.

A LOOK AT OUR PERFORMANCE IN FISCAL YEAR 2012

Business Highlights	FY13 Guidance	FY12 Results	Revised FY12 Guidance	FY11 Results
Net Sales	\$356.0 - \$370.0 million	\$342.8 million	\$353.0 - \$370.0 million	\$336.4 million
Sales Growth	4.0% - 8.0%	2%	5.0% - 10.0%	5%
Net Income	\$36.5-\$38.0 million	\$35.5 million	\$37.2 - \$39.2 million	\$36.4 million
A&P Investment	7.0% - 8.0% of net sales	7.5% of net sales	7.0% - 8.0% of net sales	7.5% of net sales
Diluted EPS	\$2.31 to \$2.40	\$2.20	\$2.33 to \$2.45	\$2.14
Weighted average shares outstanding - Diluted	Estimated 15.8 million	16.0 million	Estimated 16.0 million	17.0 million

Maintaining target gross margin above 50% is critical for the success of our business. Unfortunately, this past year we were again affected by a reduction in the gross margin compared to the previous fiscal year. We continue to run our business by focusing on the 50/30/20 rule, targeting our gross margin at or above 50% of net

sales, our cost of doing business at or below 30% of net sales and our EBITDA target as a percentage of net sales at or above of 20%. Below is a table showing the 50/30/20 results for fiscal year 2012 compared to fiscal year 2011.

50/30/20 Business Model	Goal	FY12 Results	FY11 Results
Gross Margin	50%	49%	50%
Cost of Doing Business	30%	33%	33%
EBITDA	20%	16%	17%

STRATEGIC INITIATIVES – WHAT WE ACHIEVED IN FISCAL YEAR 2012

The Company's Vision is to create positive lasting memories by solving problems in homes and factories around the world: Problem Solved, Job Done Right™! We have several ongoing strategic initiatives to help us achieve this vision, and made progress on many of them over the past year.

Strategic Initiative #1: Maximize the WD-40 brand.

Last year we said that we would continue to grow our current markets, target new markets and research opportunities to start building the WD-40 brand foundation in emerging markets such as Sub-Sahara Africa.

We also said we would take the WD-40 brand to more places and to more people around the world in FY'12. Let's look at the work we did in each of our trading blocs.

Americas

United States - Fiscal year 2012 ended up being very good performance-wise for the U.S. tribe, which experienced a 7% increase in revenue compared to the previous fiscal year. The WD-40 brand grew 10%, driven by activities such as the "Chip Foose" collectible promotion, new distribution in the mass retail channel, and the significant contribution WD-40 Specialist® product line made in its debut year. We implemented a price increase of the WD-40 Multi-Use Product in August. The benefit of that price increase did not influence this past year's performance in the United States. We were also very pleased to see a 9% growth of the Spot Shot® brand.

Latin America - In Latin America, the Company experienced a 6% decline in revenue. While we had great results in markets like Ecuador, Colombia, Peru, Brazil, and the Caribbean this past year, other markets in Latin America experienced volatility. For a couple of years now, Mexico (one of the region's largest markets) has been impacted by the ongoing drug war and violence. This turmoil resulted in less demand for our products and less promotional activity in this market. Along the U.S./Mexico border many distributors closed their businesses because of the violence, and these events also had an impact on our WD-40 brand business.

We also experienced new import regulations in Argentina this past year which created a temporary bottleneck in our ability to ship concentrate product for WD-40 Multi-Use Product.

We had some transitional changes with our marketing distributor management team in Chile, which temporarily disrupted the market volume.

Canada - Canada experienced a 3% decline in revenue growth compared to the previous year. Two key customers made changes in the manner in which inventory was procured and also reduced their retail inventories. These factors alone exerted downward pressure on sales. Reduced customer support (change in merchandising/promo strategies) also accounted for the shortfall. Overall, the multi-purpose maintenance business posted stronger results but was offset by weaker homecare cleaning product volume.

Europe

Overall Europe ended the year with a 7% decline in revenue compared to prior year. As you all know, Europe experienced economic turmoil this past year. Sales in direct markets were impacted by this economic turmoil – down by 13%.

The distributor markets helped the overall result by growing 5%. This past year we gained a greater appreciation of the challenges ahead and have lots of new learning to put to good use.

We learned that the WD-40 Multi-Use Product continues to be resilient in a “down” market and that we were able to generate good revenue from the WD-40 Specialist product line during the 8 months it has been in the market.

We also started our research to understand how best to enter Sub-Sahara Africa. We started the process of intellectual property protection in these markets as we move towards introducing WD-40 Multi-Use Product there. We did a lot of preparation work in the Sub-Sahara Africa region in FY’12. For example, we have identified a number of markets in that region and are in discussions with potential new partners to start generating some business in the second half of FY’13. Sub-Sahara Africa is an opportunity for us, and we want to develop this market carefully with partners who share our values.

It is worth noting that we had to put a lot more of our focus on Europe this past year. However, we did manage to see small successes in Northern Africa with the help of our marketing distributors in Morocco, Tunisia and Algeria. The Egyptian and South African market managed to maintain stability despite the revolution earlier in the year. However, Kenya and Tanzania suffered from some economic and market setbacks this past year.

Asia Pacific

Australia - Australia had a good growth story this year. Revenue increased by 13%. The Australian economy has grown through the year, with the mining industry being a significant contributor to that growth. Retail spending slowed a little in the second half of the year. Despite some parts of the economy slowing, end user and consumer demand for WD-40 Company products continued at a steady pace. This was due in part to successful key account promotions and the fact that consumers bought WD-40 multi-purpose maintenance products to repair existing household items instead of purchasing new goods. Sales for 17 of our top 20 accounts grew by 11%. The WD-40 and no vac® brands each grew 12%. This growth was supported by a category approach with the 3-IN-ONE® product line.

Asia (excluding China) - In Asia (excluding China), we saw a very solid performance this past year. The Company increased its sales revenue this year by 24% compared to the prior year. We experienced sales growth in Japan and India despite a challenging economic climate in these markets. A lot of hard work went into sampling activities, new distribution in key trade channels and expanding into new regions within those markets. We also experienced growth in South Korea, Malaysia, the Philippines and Indonesia. Growth was driven by promotional activity and price increases implemented throughout the year. Thailand experienced sales growth due to a surge in demand following flooding that took place at the beginning of the year. Many of these markets experienced an increase in distribution within the automotive, industrial, hardware and retail trade channels. Our tribe continues to focus on consumers who use WD-40 Multi-Use Product in their work or job — a strategy that helps us focus our resources to gain the needed momentum to continue to develop these markets.

China - China faced challenges in the latter half of fiscal year 2012 as the economy slowed down. Despite this, the revenue growth in China was 15% compared to the prior year. Gross margin in China improved as we continued to convert to local manufacturing. We were quite pleased with our efforts in opening up new accounts and also grew the 3-IN-ONE Pro automotive business over the past year. You will recall that WD-40 Multi-Use Product is primarily sold today in the industrial trade and manufacturing segment.

As part of our marketing efforts in China, we have conducted research this past year that leads us to believe we are the number one brand there. We have said that to successfully market the WD-40 brand, we need to make the end user aware and make it easy to buy. In keeping with this strategy, we are participating in trade shows, industry forums, dealer trainings and product sampling to increase brand awareness in China.

Strategic Initiative #2: Be the global leader in the Company's product categories within our prioritized platforms.

- WD-40 Specialist product line. We launched additional products under the WD-40 Specialist product line in the United Kingdom, France, Germany, Italy, Canada, U.S. and have shipped throughout Asia and Latin America.
- Blue Works® product line. The Blue Works product line has given us a wealth of knowledge in the past years.
 - a) We recently realized that Blue Works product line carved the path for the launch of WD-40 Specialist product line. Much of the learning around the Blue Works brand was applied to WD-40 Specialist product line.
 - b) We learned that the industrial trade channel operates within a slower build environment.
 - c) We also learned that the WD-40 brand name and the power of its yellow shield have the greatest strength with end users.

We will be using all of this learning, to not only apply it to WD-40 Specialist product line growth, but also, to better understand the Blue Works product line and where it can perform best. While we know that we may run into end user overlap between WD-40 Specialist and Blue Works product lines, we have also considered the possibility that WD-40 Specialist product line may be more appealing than Blue Works product line to end users in the future. In fiscal year 2013, we will continue to evaluate the ultimate future of the Blue Works brand.

Strategic Initiative #3: Strategic business relationships.

While the Company has been disciplined and has refined its criteria as we look for acquisition opportunities, we have not yet found the right opportunity. We continue to comb markets and geography for acquisitions that enhance the market position and business model.

Strategic Initiative #4: Long-term innovation to ensure continued profitable growth.

WD-40 BIKE™ product line in the United States. We are pleased to have started work on our latest initiative under the WD-40 brand: WD-40 BIKE product line. There will be lots of learning as we test the strength of the shield in the bike market in the U.S. in FY'13.

The WD-40 BIKE product line will be dedicated to cycling maintenance problems of riders around the world. We will deliver WD-40 branded solutions that are easy to use, easy to find, provide good value and will get the job done right.

Our research this past year revealed that WD-40 brand has an affinity with bike solutions. We learned that the bike category is relevant across the globe. These are products that cyclists feel they need and the trade requires.

Strategic Initiative #5: People development - Attract, Develop and Retain tribe members.

In FY'12, we started a project called "Leadership Lab" in the U.S. and offices around the world. Leadership Lab's focus is to create an environment of learning where tribe members can develop talents and skills that will help them in professional and personal growth.

ROOM FOR IMPROVEMENT: KEY FACTORS THAT IMPACTED THE BUSINESS IN FISCAL YEAR 2012.

Performance in Europe

The Company experienced economic turmoil in this region in the past year. However, we learned that our WD-40 brand is resilient. Our European tribe learned to manage a business during times of downturn, and this experience has made us stronger in facing uncertainty and developing programs that will ensure long-term sustainability.

What are we doing about this?

The journey of innovation continues, with the launch of WD-40 Specialist product line in select markets in Europe and the launch of the WD-40 Specialist Motor Bike product line in the United Kingdom scheduled for early fiscal year 2013. In the marketing distributor model markets, we will focus on opening new accounts in existing markets in new channels and open new markets in the former Soviet Union countries. While we continue to ensure all costs are managed to improve gross margin and EBITDA, we will also launch WD-40 Specialist product line in Russia and certain markets in the Middle East in early fiscal 2013, and in Poland, Hungary, Czech in early calendar year 2013. As we stated earlier, we are currently developing the infrastructure in Sub-Sahara Africa by searching for qualified distributors to help grow our business.

Flat Gross Margin

You all know that we have experienced fluctuations in our gross margin. You also know that our goal is to reach gross margin levels above 50%. Our gross margin has fluctuated in the last couple of years from 50% to 49%. Despite our efforts to manage this, the cost of oil continues to impact our gross margin. We expect to see the unstable oil market continue to have more spikes as well as periodic declines (see below). This volatility makes it difficult for us to predict the cost of oil at any given time. In addition, we experienced a higher proportion of sales from our lower margin distributor markets, and expenses related to the North American supply chain architecture project continued to affect our gross margin.

The impact to input cost changes resulting from rising oil prices tends to flow into our cost of goods sold about 90 days after the actual change in oil prices. The ongoing volatility in oil prices is extremely difficult to manage.

Europe Brent (Daily Closing Spot Price)*

	FY12	FY11	FY10	FY09
High	\$ 128	\$ 127	\$ 88	\$ 105
Low	\$ 89	\$ 75	\$ 65	\$ 34
Range	\$ 39	\$ 52	\$ 23	\$ 71

Cushings, OK WTI (Daily Closing Spot Prices)*

	FY12	FY11	FY10	FY09
High	\$ 109	\$ 113	\$ 87	\$ 123
Low	\$ 75	\$ 73	\$ 65	\$ 30
Range	\$ 34	\$ 40	\$ 22	\$ 92

* Source: Energy Information Administration

What are we doing about this?

Longer term, our goal is to increase gross margin by improving supply chain efficiencies and developing new products, such as the WD-40 Specialist product line extensions.

FISCAL YEAR 2013 AND BEYOND.

Giving ourselves permission to explore, to fail and to try again are important steps towards building an even greater Company. This is what we refer to as “Learning Moments” at WD-40 Company.

As John F. Kennedy once said, “Only those who dare to fail greatly can ever achieve greatly.” While some of our product offerings may not succeed, through trial and error we will develop the right products for the right needs.

How are we going to achieve the goals we have set for ourselves in FY'13?

We expect fiscal year 2013 net sales of \$356.0 million to \$370.0 million and net income of \$36.5 million to \$38.0 million. We expect diluted earnings per share of \$2.31 to \$2.40 based on an estimated 15.8 million weighted average shares outstanding. Gross margin for the full year is expected to be close to 50.0%. We also expect advertising and promotion expenses of 7.0% to 8.0% of net sales.

Our focus will remain on our five Strategic Initiatives. We have updated the regions we will focus on in fiscal year 2013 as shown below:

Strategic Initiative	Americas	Europe	Asia Pacific
1. Maximize the WD-40 Brand.	Awareness, Relevance, Availability and Consumption, to our targeted end users globally.		
More places, more people, more uses, more frequently.	Mexico Brazil	Direct Markets Continental Europe Russia Turkey Sub-Sahara Africa	China India Vietnam Indonesia
2. Be the Global Leader in WD-40 Company's Product Categories and Platforms. Focus on transitioning "Mature" (markets selling WD-40 Multi-Use Product) to "Developing" (markets selling WD-40 Multi-Use Product and WD-40 Specialist product line extensions)	WD-40 Specialist WD-40 BIKE 3-IN-ONE®	WD-40 Specialist WD-40 Specialist MOTORBIKE 3-IN-ONE Pro	WD-40 Specialist 3-IN-ONE Pro
3. Strategic Business Relationships. (Acquisitions, JV's, Partnerships)	Actively looking for an opportunity	Actively looking for an opportunity	Actively looking for an opportunity
4. Long-term, fundamental innovation efforts for ensuring the continued profitable growth of the Company.	We will pursue long-term, fundamental innovation efforts to ensure continued profitable growth of the Company.		
5. People Development. Attract, Develop and Retain Tribe Members	Continue to build the employer brand with development programs that drive employee engagement.		

Strategic Initiative #1: Maximize the WD-40 Brand.

WD-40 brand in more places, to more people, with more uses.

- **Sub-Sahara Africa:** We will engage new distributors to start the work of developing the market in the latter half of FY'13.
- **Latin America:** We are conducting marketing research in select markets to maximize opportunities.
- **Europe Marketing Distributor markets:** We are focusing on Russia, Turkey, Qatar, UAE and WD-40 Specialist product line introduction.

- **China:**

- We expect the China economy will continue to be sluggish, and as a result, industrial output will be slower than expected. Even with these conditions, we anticipate continued growth in China in FY'13.
- We will continue to build the WD-40 brand fortress by concentrating our efforts in growing the WD-40 Multi-Use product in the industrial and trade channels.
- We will identify regional and industry priorities to optimize our growth in China. Some of the key industries being considered are auto trade, electronics, machinery and automotive manufacturing. Key regions will include Zhejiang, Jiangsu, Guangdong, Shanghai and others.
- We plan to conduct PR events, sponsorship events, promotions, run product displays campaign at trade channels, engage the media, and work with industry associations to raise awareness on a nationwide basis.

Strategic Initiative #2: Be the Global Leader in the Company's product categories within our prioritized platforms and categories.

Much of our future growth depends on developing new platforms and categories. In FY'13, more research is underway to find opportunities in the United States and select markets outside of the United States. It takes time to find that "prince among many frogs," and we are up to the task.

- In FY'13, we will be adding new products to the WD-40 Specialist product line within identified categories such as lubrication and rust.

Strategic Initiative #3: Strategic business relationships.

In FY'13, we will continue our effort of evaluating acquisition opportunities to leverage our global presence and meet our financial goals.

Strategic Initiative #4: WD-40 brand exploration.

WD-40 BIKE in the United States.

In early FY'13, we will be launching WD-40 BIKE product line in the U.S. and look forward to consumer feedback on these products. We believe we will be able to leverage our global sourcing, logistics and geographic reach and we may have a competitive advantage as we do so.

The WD-40 BIKE product line will include products that are specialized in cleaning, protecting and lubricating bikes. As we continue trials with this product line, we will learn more about the needs of this particular consumer and develop products that will meet those needs.

We will be actively engaging the cyclist market with event sponsorships, dedicated WD-40 Tech Support Team, WD-40 BIKE Tech Van, and on-site bike wash and lube stations. We will concentrate our efforts in covering trade channels where cyclists buy these products such as IBD (independent bike dealer trade channel). Shipment of the first products is scheduled to begin in November 2012.

WD-40 Specialist Motorbike product line in the United Kingdom.

We are developing a line of motorbike-specific products under the WD-40 Specialist product line in the United Kingdom. These products will meet maintenance and repair needs among motorcycle enthusiasts and mechanics for use in garages, workshops and motorcycle race events, leveraging the high WD-40 brand awareness and reputation in that market and our close relationships with key distributors. We look forward to learning more from our market trials in early 2013 to evaluate potential new products and markets.

Strategic Initiative #5: People Development.

In FY'13, we will continue to provide many Leadership Lab workshops around the world and develop more advanced topics for graduates of the program.

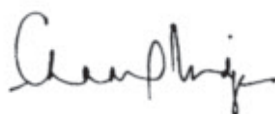
Business is certainly not without risk, so you should be continually aware of some of the areas that could affect the Company. Litigation in the U.S. and other areas around the world continues to be an ongoing reality, and like every other business, we will always have legal exposure. Please review the complete list of risk factors contained in our Annual Report on Form 10-K.

We constantly think about creating positive lasting memories for our three constituents: our end users, tribe members and shareholders.

Our product offering to our end users is exciting with new categories being introduced in multiple markets around the world. Our WD-40 Specialist product line has performed well this year and is a good indication that we are on the right track. We thank our end users for buying our products.

This past year has been one of constant change and flux for our tribe members. With the pipeline of products under WD-40 Specialist product line, WD-40 BIKE and WD-40 Specialist Motorbike product lines we are exploding onto the global market scene and creating new and exciting opportunities for them to develop and grow in meaningful ways. We thank our tribe members for embracing change and working together as a team to help reach our goals.

Finally, we thank our shareholders who have been on this journey with us. The Company appreciates your support. The best way we can thank you is to continue to provide attractive total shareholder returns and to be the “right investment” for you. We hope you have been pleased with these returns over the years.



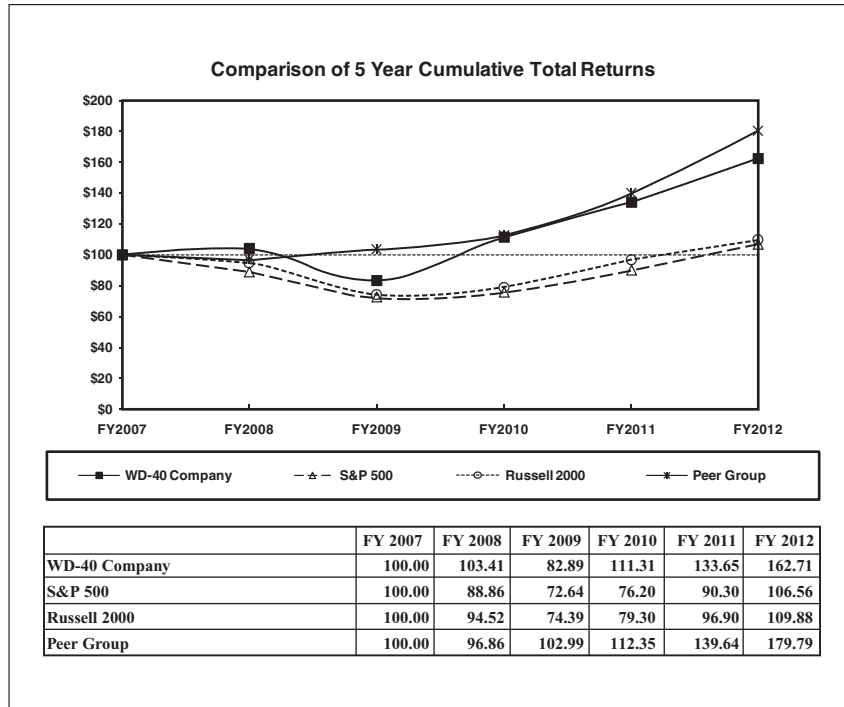
Garry O. Ridge
President & CEO

This letter contains certain non-GAAP (accounting principles generally accepted in the United States of America) measures that our management believes provide our shareholders with additional insights into WD-40 Company's results of operations and how it runs its business. Our management uses these non-GAAP financial measures in order to establish financial goals and to gain an understanding of the comparative performance of the Company from year to year or quarter to quarter. The non-GAAP measures referenced in this letter, which include EBITDA (earnings before interest, income taxes, depreciation and amortization) and the cost of doing business, are supplemental in nature and should not be considered in isolation or as alternatives to net income, income from operations or other financial information prepared in accordance with GAAP as indicators of the Company's performance or operations. Reconciliations of these non-GAAP financial measures to WD-40 Company's financial statements as prepared under GAAP are as follows:

Cost of Doing Business (in thousands, except percentages)		Fiscal Year Ended August 31, 2012
Total operating expenses - GAAP		\$ 116,753
Amortization of definite-lived intangible assets		(2,133)
Depreciation (in operating departments)		(1,597)
Cost of doing business		<u>\$ 113,023</u>
Net sales		\$ 342,784
Cost of doing business as a percentage of net sales		33%
EBITDA (in thousands, except percentages)		Fiscal Year Ended August 31, 2012
Net income - GAAP		\$ 35,485
Provision for income taxes		15,428
Interest income		(261)
Interest expense		729
Amortization of definite-lived intangible assets		2,133
Depreciation		2,736
EBITDA		<u>\$ 56,250</u>
Net sales		\$ 342,784
EBITDA as a percentage of net sales		16%

Performance Graph. The following graph compares the cumulative total stockholder return on the Company's Common Shares to the yearly weighted cumulative return of a Peer Group of consumer product companies, the Standard & Poor's 500 Composite Index ("S&P 500") and the Russell 2000 Composite Stock Index for the five fiscal years ending August 31, 2012.

The below comparison assumes \$100 was invested on August 31, 2007 in the Company's Common Shares and in each of the indices and assumes reinvestment of dividends.



- (1) WD-40 Company's Peer Group Index is comprised of the following 9 consumer product companies: Church & Dwight, Inc., Kimball International, Inc., Lancaster Colony Corp., La-Z-Boy Inc., National Presto Industries, Inc., Prestige Brand Holdings, Inc., RPM International, Inc., Scotts Miracle-Gro Company and Valspar Corp.

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WD-40 COMPANY

1061 Cudahy Place
San Diego, California 92110

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To the Stockholders:

The 2012 Annual Meeting of Stockholders will be held at the Joan B. Kroc Institute for Peace & Justice, University of San Diego, 5998 Alcala Park, San Diego, California 92110, on Tuesday, December 11, 2012, at 2:00 p.m. for the following purposes:

1. To elect a Board of Directors for the ensuing year and until their successors are elected and qualified;
2. To hold an advisory vote to approve executive compensation;
3. To approve the material terms of the performance goals under the WD-40 Company 2007 Stock Incentive Plan;
4. To approve the WD-40 Company Performance Incentive Compensation Plan;
5. To ratify the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for the fiscal year 2013; and
6. To consider and act upon such other business as may properly come before the meeting.

Only the stockholders of record at the close of business on October 15, 2012 are entitled to vote at the meeting.

By Order of the Board of Directors
Maria M. Mitchell
Secretary

San Diego, California
November 1, 2012

PROXY STATEMENT

GENERAL INFORMATION

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors of WD-40 Company for use at its Annual Meeting of Stockholders to be held on Tuesday, December 11, 2012, and at any postponements or adjournments thereof. This Proxy Statement and enclosed form of Proxy are first sent to stockholders on or about November 1, 2012.

At the meeting, the stockholders of WD-40 Company will consider and vote upon (i) the election of the Board of Directors for the ensuing year; (ii) an advisory vote to approve executive compensation; (iii) approval of the material terms of the performance goals under the WD-40 Company 2007 Stock Incentive Plan; (iv) approval of the WD-40 Company Performance Incentive Plan; and (v) the ratification of the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for fiscal year 2013. Detailed information concerning these matters is set forth below. Management knows of no other business to come before the meeting.

The close of business on October 15, 2012, is the record date for stockholders entitled to notice of and to vote at the Annual Meeting of Stockholders of WD-40 Company. On October 15, 2012, WD-40 Company had outstanding 15,715,835 shares of \$.001 par value common stock. Stockholders of record entitled to vote at the meeting will have one vote for each share so held on the matters to be voted upon. If you are a beneficial owner whose shares are held of record by a broker, you must instruct the broker how to vote your shares. If you do not provide voting instructions, your shares will not be voted on any proposal on which the broker does not have discretionary authority to vote. This is called a "broker non-vote." A majority of the outstanding shares will constitute a quorum at the meeting. Abstentions and broker non-votes are counted for purposes of determining the presence or absence of a quorum.

If you hold your shares through a broker, it is important that you cast your vote if you want it to count in the election of directors. Prior to 2010, if you held your shares in street name through a broker and you did not indicate how you wanted your shares voted in the election of directors, your broker was allowed to vote those shares on your behalf in the broker's discretion. Regulatory changes for 2010 and later years eliminated the ability of your broker to vote your uninstructed shares in the election of directors on a discretionary basis. Thus, if you hold your shares in street name and you do not instruct your broker how to vote in the election of directors, no votes will be cast on your behalf. For more information on this topic, see the Securities and Exchange Commission ("SEC") Investor Alert issued in February 2010 entitled "New Shareholder Voting Rules for the 2010 Proxy Season" at <http://www.sec.gov/investor/alerts/votingrules2010.htm>.

If the enclosed form of Proxy is properly executed and returned, the shares represented thereby will be voted in accordance with the instructions specified thereon. If no specified instruction is given with respect to a particular matter on your form of Proxy, your shares will be voted by the proxy holder as set forth on the form of Proxy. A Proxy may be revoked by attendance at the meeting or by filing a Proxy bearing a later date with the Secretary of the Company.

The cost of soliciting proxies will be borne by the Company. Solicitations other than by mail may be made by telephone or in person by employees of the Company for which the expense will be nominal.

PRINCIPAL SECURITY HOLDERS

The following table sets forth information concerning those persons known to the Company to be the beneficial owners of more than 5% of the common stock of the Company.

<u>Name and Address of Beneficial Owner</u>	<u>Amount and Nature Of Beneficial Ownership October 15, 2012</u>	<u>Percent of Class</u>
Kayne Anderson Rudnick Investment Management, LLC 1800 Avenue of the Stars, 2 nd Floor Los Angeles, CA 90067	1,335,460 ¹	8.50%
BlackRock, Inc. 40 East 52 nd Street New York, NY 10022	1,219,675 ²	7.76%
Parnassus Investments 1 Market Street, Suite 1600 San Francisco, CA 94105	1,131,000 ³	7.20%
The Vanguard Group, Inc. 100 Vanguard Boulevard Malvern, PA 19355-2331	884,644 ⁴	5.63%
Ceredex Value Advisors, LLC Lincoln Plaza Suite 1600 Orlando, FL 32801-3382	852,672 ⁵	5.43%
Mario L. Crivello Valley Center, CA	810,602 ⁶	5.15%

¹ As of June 30, 2012, Kayne Anderson Rudnick Investment Management LLC ("Kayne") filed a report on Form 13F with the Securities and Exchange Commission to report beneficial ownership of 1,335,460 shares. Kayne reported sole investment discretion and sole voting authority with respect to all shares. Beneficial ownership information as of October 15, 2012 is unavailable.

² As of June 30, 2012, BlackRock, Inc. ("BlackRock") and five BlackRock subsidiary investment managers filed reports on Form 13F with the Securities and Exchange Commission to report beneficial ownership of a total of 1,219,675 shares. BlackRock disclaims investment discretion with respect to all shares reported as beneficially owned by its investment management subsidiaries. Sole investment discretion and sole voting authority with respect to shares is reported for the following BlackRock subsidiaries: BlackRock Fund Advisors as to 665,549 shares, BlackRock Institutional Trust Company, N.A. as to 479,123 shares, BlackRock Investment Management, LLC as to 48,963 shares, BlackRock International Limited as to 10,162 shares and six other BlackRock subsidiaries as to a total of 15,878 shares. Beneficial ownership information for BlackRock, Inc. and its investment management subsidiaries as of October 15, 2012 is unavailable.

³ As of June 30, 2012, Parnassus Investments ("Parnassus") filed a report on Form 13F with the Securities and Exchange Commission to report beneficial ownership of 1,131,000 shares. Parnassus reported sole investment discretion and sole voting authority with respect to all shares. Beneficial ownership information as of October 15, 2012 is unavailable.

⁴ As of June 30, 2012, The Vanguard Group, Inc. ("Vanguard") filed a report on Form 13F with the Securities and Exchange Commission to report beneficial ownership of 884,644 shares, including 23,123 shares held by Vanguard Fiduciary Trust Company with respect to which Vanguard Fiduciary Trust Company reports shared investment discretion and sole voting authority. Vanguard reported sole investment discretion and no voting authority with respect to 860,821 shares and sole investment discretion and sole voting authority with respect to 700 shares. Beneficial ownership information as of October 15, 2012 is unavailable.

⁵ As of June 30, 2012, SunTrust Bank, Inc. filed a report on Form 13F with the Securities and Exchange Commission on behalf of Ceredex Value Advisors LLC ("Ceredex") to report beneficial ownership of 852,672 shares. Ceredex reported sole investment discretion with respect to all such shares and sole voting authority with respect to 851,722 shares and no voting authority with respect to 950 shares. Beneficial ownership information as of October 15, 2012 is unavailable.

⁶ Mr. Crivello has sole voting and investment power over 688,169 shares held in trust for the benefit of others. He also has sole voting and investment power over 110,633 shares held directly. Mr. Crivello also has the right to acquire 11,800 shares upon exercise of stock options and the right to receive 5,081 shares upon settlement of restricted stock units upon termination of his service as a director of the Company.

ITEM NO. 1

NOMINEES FOR ELECTION AS DIRECTORS AND SECURITY OWNERSHIP OF MANAGEMENT

At the Company's Annual Meeting of Stockholders, the eight nominees named on page 5 of this proxy statement under the heading, *Nominees for Election as Directors*, will be presented for election as directors until the next Annual Meeting of Stockholders and until their successors are elected or appointed. In the event any nominee is unable or declines to serve as a director at the time of the Annual Meeting, any proxy granted to vote for such nominee will be voted for a nominee designated by the present Board of Directors to fill such vacancy.

The nominees for election to the Board of Directors who receive a plurality of the votes cast for the election of directors by the shares present, in person or by proxy, shall be elected as directors. Holders of common stock are not entitled to cumulate their votes in the election of directors. Withheld votes and broker non-votes are not counted as votes in favor of any nominee. Since the eight nominees receiving the most votes will be elected as directors, withheld votes and broker non-votes will have no effect upon the outcome of the election.

Article III, Section 2 of the Bylaws of the Company, approved by stockholders on December 9, 2008, provides that the authorized number of directors of the Company shall not be less than seven nor more than twelve until changed by amendment of the Certificate of Incorporation or by a bylaw duly adopted by the stockholders. The exact number of directors is to be fixed from time to time by a bylaw or amendment thereof duly adopted by the stockholders or by resolution of the Board of Directors. The number of directors was fixed at eight effective as of December 13, 2011 by resolution of the Board of Directors adopted on October 11, 2011.

Director Independence

The Board of Directors has determined that each director and nominee other than Garry O. Ridge is an independent director as defined in Rule 5605(a)(2) of the Marketplace Rules of The Nasdaq Stock Market LLC (the "Nasdaq Rules"). In considering the independence of directors, the Board of Directors considered Gregory A. Sandfort's indirect interest, as an executive officer of Tractor Supply Company, in purchases of the Company's products made by Tractor Supply Company in the ordinary course of business. The total amount of net sales recorded by the Company for all product purchases by Tractor Supply Company during fiscal year 2012 was \$586,143. The Company has concluded that Mr. Sandfort's indirect interest in such transactions is not material and does not require specific disclosure under Item 404(a) of Regulation S-K promulgated under the Securities Exchange Act of 1934 (the "Exchange Act").

Information concerning the independence of directors serving on committees of the Board of Directors is provided below as to each committee.

Security Ownership of Directors and Executive Officers

The following tables set forth certain information, including beneficial ownership of the Company's common stock, for the current directors, for the executive officers named in the Summary Compensation Table on page 33 of this proxy statement, and for all directors and executive officers as a group.

Director/Nominee	Age	Principal Occupation	Director Since	Amount and Nature of Beneficial Ownership October 15, 2012 ¹	
				Number	Percent of Class
Giles H. Bateman	67	Investor; Retired CFO, Price Club	2003	21,355 ²	*
Peter D. Bewley	66	Investor; Retired General Counsel, The Clorox Company	2005	24,947 ³	*
Richard A. Collato	69	Investor, Retired President & CEO, YMCA of San Diego County	2003	24,867 ⁴	*
Mario L. Crivello	72	Investor	1994	810,602 ⁵	5.15%
Linda A. Lang	54	Chairman & CEO, Jack in the Box, Inc.	2004	19,825 ⁶	*
Garry O. Ridge	56	President and CEO, WD-40 Company	1997	106,479 ⁷	*
Gregory A. Sandfort	57	President and COO, Tractor Supply Company	2011	8,553 ⁸	*
Neal E. Schmale	66	Chairman, WD-40 Company; Retired President and COO, Sempra Energy	2001	25,697 ⁹	*

* Less than one (1) percent.

¹ All shares owned directly unless otherwise indicated.

² Mr. Bateman has the right to acquire 13,800 shares upon the exercise of stock options and the right to receive 5,847 shares upon settlement of restricted stock units upon termination of his service as a director of the Company.

³ Mr. Bewley has the right to acquire 9,800 shares upon the exercise of stock options and the right to receive 9,666 shares upon settlement of restricted stock units upon termination of his service as a director of the Company.

⁴ Mr. Collato has the right to acquire 9,800 shares upon the exercise of stock options and the right to receive 7,095 shares upon settlement of restricted stock units upon termination of his service as a director of the Company.

⁵ Mr. Crivello has sole voting and investment power over 688,169 shares held in trust for the benefit of others. He also has sole voting and investment power over 110,633 shares held directly. Mr. Crivello also has the right to acquire 11,800 shares upon exercise of stock options and the right to receive 5,081 shares upon settlement of restricted stock units upon termination of his service as a director of the Company.

⁶ Ms. Lang has the right to acquire 7,300 shares upon the exercise of stock options and the right to receive 8,883 shares upon settlement of restricted stock units upon termination of her service as a director of the Company.

⁷ Mr. Ridge has the right to acquire 60,000 shares upon exercise of stock options, the right to receive 5,884 shares upon settlement of restricted stock units upon termination of employment, the right to receive 5,846 shares upon settlement of restricted stock units upon vesting within 60 days and the right to receive 4,608 shares upon settlement of vested performance share units. Mr. Ridge also has voting and investment power over 1,141 shares held under the Company's 401(k) plan.

⁸ Mr. Sandfort has the right to receive 3,453 shares upon settlement of restricted stock units upon termination of his service as a director of the Company.

⁹ Mr. Schmale has the right to acquire 7,300 shares upon the exercise of stock options and the right to receive 9,666 shares upon settlement of restricted stock units upon termination of his service as a director of the Company.

**Amount and Nature of Beneficial
Ownership
October 15, 2012¹**

Executive Officer	Age	Principal Occupation	Number	Percent of Class
Jay W. Rembolt	61	Chief Financial Officer and Vice President, Finance, WD-40 Company	43,703 ²	*
Michael J. Irwin	49	Executive Vice President, Strategic Development, WD-40 Company	17,872 ³	*
Michael L. Freeman	59	Division President, the Americas, WD-40 Company	22,768 ⁴	*
William B. Noble	54	Managing Director Europe, WD-40 Company Ltd. (U.K.)	47,750 ⁵	*
All Directors and Executive Officers as a Group			1,201,720 ⁶	7.51%

¹ All shares owned directly unless otherwise indicated.

² Mr. Rembolt has the right to acquire 26,160 shares upon exercise of stock options, the right to receive 1,543 shares upon settlement of restricted stock units upon vesting within 60 days and the right to receive 1,152 shares upon settlement of vested performance share units. Mr. Rembolt has voting and investment power over 5,733 shares held under the Company's 401(k) plan.

³ Mr. Irwin has the right to receive 3,971 shares upon settlement of restricted stock units upon termination of employment, the right to receive 1,380 shares upon settlement of restricted stock units upon vesting within 60 days and the right to receive 1,152 shares upon settlement of vested performance share units. Mr. Irwin has voting and investment power over 795 shares held under the Company's 401(k) plan.

⁴ Mr. Freeman has the right to receive 3,971 shares upon settlement of restricted stock units upon termination of employment, the right to receive 1,543 shares upon settlement of restricted stock units upon vesting within 60 days and the right to receive 1,152 shares upon settlement of vested performance share units. Mr. Freeman has voting and investment power over 2,172 shares held under the Company's 401(k) plan.

⁵ Mr. Noble has the right to acquire 35,000 shares upon exercise of stock options, the right to receive 3,971 shares upon settlement of restricted stock units upon termination of employment, the right to receive 1,380 shares upon settlement of restricted stock units upon vesting within 60 days and the right to receive 1,152 shares upon settlement of vested performance share units.

⁶ Total includes the rights of directors and executive officers to acquire 180,960 shares upon exercise of stock options, the rights of executive officers and directors to receive a total of 75,430 shares upon settlement of restricted stock units upon termination of employment or service as a director of the Company, the rights of executive officers to receive a total of 14,452 shares upon settlement of restricted stock units upon vesting within 60 days, the rights of executive officers to receive 11,520 shares upon settlement of vested performance share units and 11,411 shares held by executive officers under the Company's 401(k) plan.

* Less than one (1) percent.

Nominees for Election as Directors

Giles H. Bateman was elected to the Board of Directors in 2003. Mr. Bateman has been retired since 2000. He was a co-founder and Chief Financial Officer of Price Club from 1976 until 1991. Mr. Bateman served as director and Chairman of CompUSA, Inc. from 1994 until 2000. Mr. Bateman served as a director of Tuesday Morning, Inc. from 2002 until 2006 and as a director of United PanAm Financial Corp. from 2006 until 2010. He presently serves as a

director of Life Time Fitness, Inc. Mr. Bateman's financial expertise, considerable public company board experience and knowledge of the retail industry provide the Board with a breadth of relevant skill and experience.

Peter D. Bewley was appointed to the Board of Directors in 2005. Mr. Bewley served as Associate General Counsel for Johnson & Johnson from 1985 to 1994 after serving as a staff attorney with Johnson & Johnson from 1977 to 1985. He was Vice President, General Counsel and Secretary and Chief Compliance Officer of Novacare, Inc. from 1994 to 1998. Mr. Bewley was the Senior Vice President-General Counsel and Secretary of The Clorox Company from 1998 until his retirement in 2005. He presently serves as a director of Tractor Supply Company. Mr. Bewley's experience at consumer packaged goods companies prepared him to address strategic issues confronting the Company. In addition, his service as general counsel and secretary of two public companies provides the Board with a practical and in depth perspective on corporate governance and legal matters.

Richard A. Collato was elected to the Board of Directors in 2003. Mr. Collato served as President and Chief Executive Officer of the YMCA of San Diego County from 1981 until his retirement in 2010. He is currently a General Manager of Ingold Family Investments, LLC. Mr. Collato served as a director of Surge Global Energy, Inc. from 2006 to 2008, as a director of Sempra Energy from 1993 to 2010 and as a director of PepperBall Technologies, Inc. from 2008 to February 2011. Mr. Collato has extensive public and private company board experience and 29 years of successful CEO experience. He serves on the board of the Corporate Directors Forum and is an adjunct professor at the University of San Diego's graduate program, teaching corporate governance. His understanding of corporate governance and management theory and practice makes him a contributing member of the Board.

Mario L. Crivello was elected to the Board of Directors in 1994. Mr. Crivello was the managing owner and master of Tuna Purse Seiners until his retirement in 1984. Mr. Crivello and members of his family have been investors in the Company since its founding. His long-standing relationship with the Company and his insight into its history and market position provide the Board with a valuable shareowner perspective.

Linda A. Lang was elected to the Board of Directors in 2004. Since 2005, Ms. Lang has served as Chairman of the Board and Chief Executive Officer of Jack in the Box, Inc. Ms. Lang has been employed by Jack in the Box, Inc. for 25 years and from 1996 until 2005 she held the offices of President and Chief Operating Officer, Executive Vice President, Senior Vice President Marketing, Vice President and Regional Vice President, Southern California Region, and Vice President Marketing. Ms. Lang has extensive knowledge and expertise in the areas of brand management and marketing, financial management and reporting, supply chain and distribution management as well as strategic planning, executive compensation and succession management. Her experience in these and other areas of corporate management and governance offer complementary experience to the Board.

Garry O. Ridge joined WD-40 Company in 1987 as Managing Director, WD-40 Company (Australia) Pty. Limited and he was responsible for Company operations throughout the Pacific and Asia. Mr. Ridge transferred to the corporate office in 1994 as Director International Operations and was elected Vice President - International in 1995. He was elected to the position of Executive Vice President/Chief Operating Officer in 1996 and he was named

President and Chief Executive Officer in 1997. He was also elected to the Board of Directors in 1997. Prior to joining WD-40 Company Mr. Ridge was Managing Director of Mermex Pacific Pty. Ltd. and held a number of senior management positions with Hawker Pacific Pty. Ltd. (a Hawker Siddeley PLC Group Company) which was a licensee for WD-40 until 1988. As the CEO of the Company, Mr. Ridge offers the Board an important Company-based perspective. In addition, his particular knowledge of the Company's international markets and industry position provides the Board with valuable insight.

Gregory A. Sandfort was elected to the Board of Directors in 2011. Mr. Sandfort has served as Chief Operating Officer of Tractor Supply Company since January 2012, and as its President since February 2009. He served as Chief Merchandising Officer of Tractor Supply Company from February 2009 until December 2011, and he served as Executive Vice President-Chief Merchandising Officer from 2007 to 2009. Mr. Sandfort previously served as President and Chief Operating Officer at Michael's Stores, Inc. from 2006 to 2007, and as Executive Vice President-General Merchandise Manager at Michaels Stores, Inc. from 2004 to 2006. Mr. Sandfort served as Vice Chairman and Co-Chief Executive Officer of Kleinert's Inc. from 2002 to 2003 and as a Vice President, General Merchandise Manager for Sears, Roebuck and Co. from 1998 to 2002. As Chief Operating Officer of an existing WD-40 Company customer, Mr. Sandfort brings a customer perspective to the board. The board also values Mr. Sandfort's extensive management experience in the retail industry.

Neal E. Schmale was elected to the Board of Directors in 2001. Mr. Schmale was named Chairman of the Board in 2004. Mr. Schmale was President and Chief Operating Officer of Sempra Energy from 2006 until his retirement effective as of November 1, 2011. Previously, he was Executive Vice President and Chief Financial Officer of Sempra Energy from 1998 through 2005. Mr. Schmale served as a director of Sempra Energy from 2004 until November 1, 2011. He presently serves as a director of Murphy Oil Corporation. Mr. Schmale's past experience as director on four public company boards and his extensive senior management experience with a Fortune 300 company offers the Board valuable judgment and management perspective.

Board Leadership, Risk Oversight and Compensation-Related Risk

The Board of Directors of WD-40 Company has maintained separation of its principal executive officer and board chairman positions for many years. In addition, the board chairman position is held by an independent director and the Charter of the Corporate Governance Committee provides that a retiring Chief Executive Officer will not be nominated to stand for re-election to the Board. The Board of Directors believes that separation of the principal executive officer and the board chairman positions is appropriate for the Company given the size of the Board and the need for undivided attention of the Chief Executive Officer to the implementation of strategic directives and overall management responsibilities. As an independent director, the board chairman can provide leadership to the Board without perceived or actual conflicts associated with individual and collective interests of management employees. The Board of Directors believes that a retiring Chief Executive Officer should not continue to serve as a director in order to provide management with an unfettered ability to provide new leadership.

Risk oversight is undertaken by the Board of Directors as a whole but various Board Committees are charged with responsibility to review and report on business and management risks included within the purview of each Committee's responsibilities. The Compensation

Committee considers risks associated with the Company's compensation policies and practices, with particular focus on the incentive bonus and equity awards offered to the Company's executive officers. The Audit Committee considers risks associated with financial reporting and internal control and risks related to information technology catastrophe and disaster recovery, as well as management of the Company's insured risks. The Finance Committee considers risks associated with the Company's financial management and investment activities, acquisition-related risks and ERISA plan oversight. The Board and the Committees receive periodic reports from management employees having responsibility for the management of particular areas of risk. The Chief Executive Officer is responsible for overall risk management and provides input to the Board of Directors with respect to the Company's risk management process and is responsive to the Board in carrying out its risk oversight role.

With respect to compensation-related risk, the Company's management has undertaken an annual assessment of the Company's compensation policies and practices and strategic business initiatives to determine whether any of these policies or practices, as well as any compensation plan design features, including those applicable to the executive officers, are reasonably likely to have a material adverse effect on the Company. Based on this review, management has concluded that the Company's compensation policies and practices are not reasonably likely to have a material adverse effect on the Company. This conclusion is based primarily on the fact that the incentives underlying most of the Company's compensation plan design features are directed to a balance between increased revenues, increased profitability and achievement of longer-term strategic objectives. Management has discussed these findings with the Compensation Committee.

Board of Directors Meetings, Committees and Annual Meeting Attendance

The Board of Directors is charged by the stockholders with managing or directing the management of the business affairs and exercising the corporate power of the Company. The Board of Directors relies on the following standing committees to assist in carrying out the Board of Directors' responsibilities: the Audit Committee, the Compensation Committee, the Corporate Governance Committee and the Finance Committee. Each of the committees has a written charter approved by the Board of Directors and such charters are available on WD-40 Company's web site at www.wd40company.com on the "Investors" page under the Officers and Directors link. There were seven meetings of the Board of Directors during the last fiscal year. Each director serving for the full fiscal year attended at least 75 percent of the aggregate of the total number of meetings of the Board and of all committees on which the director served. The Board of Directors holds an annual organizational meeting on the date of the Annual Meeting of Stockholders. All Directors are expected to attend the Annual Meeting. At the last Annual Meeting of Stockholders, all nominee directors were present.

Board of Directors Compensation

Director compensation is set by the Board of Directors upon the recommendation of the Corporate Governance Committee. The Corporate Governance Committee conducts an annual review of non-employee director compensation, including consideration of a survey of director compensation for the same peer group of companies used by the Compensation Committee for the assessment of executive compensation. The compensation advisor serving the

Compensation Committee, Compensia, Inc., has also provided guidance and analysis to the Corporate Governance Committee with respect to non-employee director compensation recommendations. For fiscal year 2012, non-employee directors received compensation for services as directors pursuant to the Directors' Compensation Policy and Election Plan (the "Director Compensation Policy") adopted by the Board of Directors on October 11, 2011. Pursuant to the Director Compensation Policy, non-employee directors received a base annual fee of \$32,000 for services provided from January 1, 2012 through the date of the Company's 2012 Annual Meeting of Stockholders. The Chairman of the Board received an additional annual fee of \$14,000. Non-employee directors received additional cash compensation for service on various Board Committees. The Chairman of the Audit Committee received \$16,000 and each other member of the Audit Committee received \$8,000. Each Chairman of the Compensation Committee, the Corporate Governance Committee and the Finance Committee received \$8,000 and each other member of those committees received \$4,000. All such annual fees were paid in March 2012.

In December 2007, the Company's stockholders approved the WD-40 Company 2007 Stock Incentive Plan (the "Stock Incentive Plan") to authorize the issuance of stock-based compensation awards to employees as well as to directors and consultants. For services provided for the period from the date of the Company's 2011 Annual Meeting of Stockholders to the next annual meeting, the Director Compensation Policy provided for the grant of restricted stock unit ("RSU") awards having a grant date value of \$46,000 to each non-employee director. Each RSU represents the right to receive one share of the Company's common stock. On December 13, 2011, each non-employee director received an RSU award covering 1,153 shares of the Company's common stock. Additional information regarding the RSU awards is provided in a footnote to the Director Compensation table below. Each non-employee director was also permitted to elect to receive an RSU award in lieu of all or a portion of his or her base annual fee for service as a director as specified above. The number of shares of the Company's common stock subject to each such RSU award granted to the non-employee directors equaled the compensation payable in RSUs divided by the fair market value of the Company's common stock as of the date of grant. RSU awards granted to non-employee directors pursuant to the Director Compensation Policy are subject to Award Agreements under the Stock Incentive Plan. All RSU awards granted to non-employee directors are fully vested and are settled in shares of the Company's common stock upon termination of the director's service as a director of the Company.

The Company also maintains a Director Contributions Fund from which each incumbent non-employee director has the right, at a specified time each fiscal year, to designate \$6,000 in charitable contributions to be made by the Company to properly qualified (under Internal Revenue Code Section 501(c)(3)) charitable organizations.

The following Director Compensation table provides information concerning director compensation earned by each non-employee director for services rendered in fiscal year 2012. Since the annual base fee and fees for service on Committees are payable for services provided to the Company from January 1st of the fiscal year until the next annual meeting of stockholders, such compensation is reported for purposes of the Director Compensation table on a weighted basis. For fiscal year 2012, one third of the reported compensation earned or paid in cash is based on the Director Compensation Policy in effect for calendar year 2011 and two thirds of the reported compensation earned or paid in cash is based on the Director

Compensation Policy in effect for calendar year 2012. Amounts earned and reported in the Director Compensation table for Fees Earned or Paid in Cash for the fiscal year for each director are dependent upon the various committees on which each director served as a member or as chairman during the fiscal year.

DIRECTOR COMPENSATION **Fiscal Year 2012**

Name	Fees Earned or Paid in Cash (\$) ¹	Stock Awards (\$) ²	Option Awards (\$) ³	All Other Compensation (\$) ⁴	Total (\$)
Giles H. Bateman	\$ 52,000	\$ 45,993	\$ -	\$ 6,000	\$ 103,993
Peter D. Bewley	\$ 44,000	\$ 45,993	\$ -	\$ 6,000	\$ 95,993
Richard A. Collato	\$ 48,000	\$ 45,993	\$ -	\$ 6,000	\$ 99,993
Mario L. Crivello	\$ 39,334	\$ 45,993	\$ -	\$ 6,000	\$ 91,327
Linda A. Lang	\$ 44,000	\$ 45,993	\$ -	\$ 6,000	\$ 95,993
Gregory A. Sandfort	\$ 44,000	\$ 91,968	\$ -	\$ 6,000	\$ 141,968
Neal E. Schmale	\$ 59,333	\$ 45,993	\$ -	\$ 6,000	\$ 111,326

¹ For services rendered during fiscal year 2012, directors received RSU awards pursuant to elections made in 2010 and 2011 under the Director Compensation Policy with respect to their services as directors in calendar years 2011 and 2012, respectively, in each case in lieu of all or part of their base annual fees for such calendar year (as described in the narrative preceding the Director Compensation table) as follows: Peter D. Bewley and Neal E. Schmale received RSU awards valued at \$31,982, Linda A. Lang received RSU awards valued at \$21,328 and Gregory A. Sandfort received RSU awards valued at \$37,324.

² Amounts included in the Stock Awards column represent the grant date fair value for non-elective RSU awards granted to all non-employee directors pursuant to the Director Compensation Policy. On December 13, 2011, each director received a non-elective RSU award covering 1,153 shares of the Company's common stock. Each RSU award has a grant date fair value equal to the closing price of the Company's common stock on that date in the amount of \$39.89 per share multiplied by the number of shares underlying the RSU award. The number of shares underlying each RSU award is rounded down to the nearest whole share. Additionally, upon his election as a director, on October 11, 2011, Mr. Sandfort received a non-elective RSU award covering 1,097 shares of the Company's common stock. This RSU award has a grant date fair value equal to the closing price of the Company's common stock on that date in the amount of \$41.91 per share multiplied by the number of shares underlying the RSU award. The number of RSUs held by each director as of the end of the fiscal year are reported with respect to such director's security ownership as of the record date for the annual meeting of stockholders on page 4 of this proxy statement. The RSUs are settled in stock only upon termination of service as a director and the RSUs provide for the payment of dividend equivalent compensation in amounts equal to dividends.

³ Outstanding options held by each director as of the end of the fiscal year are reported with respect to such director's security ownership as of the record date for the annual meeting of stockholders on page 4 of this proxy statement.

⁴ Amounts represent charitable contributions made by the Company as designated by each non-employee director pursuant to the Company's Director Contribution Fund.

Equity Holding Requirement for Directors

All RSU awards to non-employee directors, including both non-elective grants and RSU awards granted pursuant to the annual elections of the directors to receive RSUs in lieu of all or part of their base annual fee, provide for immediate vesting but will not be settled in shares of the Company's common stock until termination of the each director's service as a director. The number of shares to be issued to each non-employee director upon termination of service is disclosed in the footnotes to the Security Ownership of Directors and Executive Officers table on page 4 of this proxy statement.

Stockholder Communications with Board of Directors

Stockholders may send communications to the Board of Directors by submitting a letter addressed to: WD-40 Company, Corporate Secretary, 1061 Cudahy Place, San Diego, CA 92110.

The Board of Directors has instructed the Corporate Secretary to forward such communications to the Chairman of the Board of Directors. The Board of Directors has also instructed the Corporate Secretary to review such correspondence and, at the Corporate Secretary's discretion, to not forward correspondence which is deemed of a commercial or frivolous nature or inappropriate for Board of Director consideration. The Corporate Secretary may also forward the stockholder communication within the Company to another department to facilitate an appropriate response.

Committees

<u>Director</u>	<u>Audit</u>	<u>Compensation</u>	<u>Governance</u>	<u>Finance</u>
Giles H. Bateman	Chairman			✓
Peter D. Bewley		✓	Chairman	
Richard A. Collato	✓	Chairman		
Mario L. Crivello		✓	✓	✓
Linda A. Lang		✓		Chairman
Garry O. Ridge				
Gregory A. Sandfort	✓		✓	✓
Neal E. Schmale	✓		✓	✓
Number of Meetings Held in Fiscal Year 2012	6	5	4	4

Corporate Governance Committee Nomination Policies and Procedures

The Corporate Governance Committee is comprised of Peter D. Bewley (Chairman), Mario L. Crivello, Gregory A. Sandfort and Neal E. Schmale. The Corporate Governance Committee also functions as the Company's nominating committee and is comprised exclusively of independent directors as defined in the Nasdaq Rules. The Corporate Governance Committee met four times during the last fiscal year.

The Corporate Governance Committee acts in conjunction with the Board of Directors to ensure that a regular evaluation is conducted of succession plans, performance, independence, and of the qualifications and integrity of the Board of Directors. The Corporate Governance Committee also reviews the applicable skills and characteristics required of nominees for election as directors. The objective is to balance the composition of the Board of Directors to achieve a

combination of individuals of different backgrounds and experiences, including, but not limited to, whether the candidate is currently or has recently been an executive officer at a publicly traded company; whether the candidate has substantial background in matters related to the Company's products or markets, in particular, supply chain management, information technology, retailing and marketing; and whether the candidate has substantial international business experience, a substantial financial background or is serving as a director at one or more publicly traded companies. The Board of Directors has not established any specific diversity criteria for the selection of nominees other than the general composition criteria noted above.

In determining whether to recommend a director for re-election, the Corporate Governance Committee considers the director's past attendance at meetings, results of annual evaluations and the director's participation in and anticipated future contributions to the Board of Directors. A director who will have reached the age of 72 prior to the date of the next annual meeting of stockholders, except for non-employee directors first elected to the Board prior to June 29, 1999, will not be recommended for re-election at that meeting.

The Corporate Governance Committee reviews new Board of Director nominees through a series of internal discussions, reviewing available information, and interviewing selected candidates. Generally, candidates for nomination to the Board of Directors have been suggested by directors or employees. The Company does not currently employ a search firm or third party in connection with seeking or evaluating candidates.

The Corporate Governance Committee will consider director candidates recommended by security holders under the same criteria as other candidates described above. Nominations may be submitted by letter addressed to: WD-40 Company Corporate Governance Committee, Corporate Secretary, 1061 Cudahy Place, San Diego, CA 92110. Nominations by security holders must be submitted in accordance with the requirements of the Company's Bylaws, including submission of such nominations within the time required for submission of stockholder proposals as set forth on page 49 of this proxy statement.

Audit Committee

Related Party Transactions Review and Oversight

The Audit Committee is comprised of Giles H. Bateman (Chairman), Richard A. Collato, Gregory A. Sandfort and Neal E. Schmale. Six meetings were held during the last fiscal year to review quarterly financial reports, to consider the annual audit and other audit services and to review the audit with the independent registered public accounting firm after its completion. The Board of Directors has determined that Mr. Bateman is an "audit committee financial expert" as defined by regulations adopted by the Securities and Exchange Commission. Mr. Bateman and each of the other members of the Audit Committee are independent directors as defined in the Nasdaq Rules. Each member of the Audit Committee also satisfies the requirements for service on the Audit Committee as set forth in Rule 5605(c)(2) of the Nasdaq Rules.

The Audit Committee has responsibility for review and oversight of related party transactions for potential conflicts of interest. Related party transactions include any independent business dealings between the Company and related parties who consist of the Company's executive officers, directors, director nominees and holders of more than 5% of the Company's shares. Such transactions include business dealings with parties in which any such related party has a

direct or indirect interest. The Board of Directors has adopted a written policy to provide for the review and oversight of related party transactions by the Audit Committee. Executive officers and directors are required to notify the Secretary of the Company of any proposed or existing related party transactions in which they have an interest. The Secretary and the Audit Committee also rely upon the Company's disclosure controls and procedures adopted pursuant to Exchange Act rules for the purpose of assuring that matters requiring disclosure, including related party transactions that may involve the potential for conflicts of interests, are brought to the attention of management and the Audit Committee on a timely basis. Certain related party transactions do not require Audit Committee review and approval. Such transactions are considered pre-approved. Pre-approved transactions include:

- transactions approved in the ordinary course of business that do not exceed \$50,000 in any fiscal year;
- compensation arrangements approved by the Compensation Committee or the Board of Directors and expense reimbursements consistent with the Company's expense reimbursement policy;
- transactions in which the related party's interest is derived solely from the fact that he or she serves as a director of another corporation that is a party to the transaction;
- transactions in which the related party's interest is derived solely from his or her ownership (combined with the ownership interests of all other related parties) of not more than a 5% beneficial interest (but excluding any interest as a general partner of a partnership) in an entity that is a party to the transaction; and
- transactions available to all employees of the Company generally.

If a related party transaction is proposed or if an existing transaction is identified, the Audit Committee has authority to disapprove, approve or ratify the transaction and to impose such restrictions or other limitations on the transaction as the Committee may consider necessary to best assure that the interests of the Company are protected and that the related party involved is not in a position to receive an improper benefit. In making such determination, the Audit Committee considers such factors as it deems appropriate, including without limitation (i) the benefits to the Company of the transaction; (ii) the commercial reasonableness of the terms of the transaction; (iii) the dollar value of the transaction and its materiality to the Company and to the related party; (iv) the nature and extent of the related party's interest in the transaction; (v) if applicable, the impact of the transaction on a non-employee director's independence; and (vi) the actual or apparent conflict of interest of the related party participating in the transaction.

During the fiscal year ended August 31, 2012 there were no transactions required to be reported pursuant to the requirements of Item 404(a) of Regulation S-K under the Exchange Act that did not require review and approval by the Audit Committee.

The Audit Committee also has responsibility for the selection, appointment and oversight of the independent registered public accounting firm for the Company. A separate report of the Audit Committee is included at page 45 of this proxy statement.

Finance Committee

The Finance Committee is comprised of Linda A. Lang (Chairman), Giles H. Bateman, Mario L. Crivello, Gregory A. Sandfort and Neal E. Schmale. Four meetings of the Finance Committee were held during the last fiscal year. The Finance Committee is appointed by the Board for the primary purpose of assisting the Board in overseeing financial matters of importance to the Company, including matters relating to acquisitions, investment policy, capital structure, and dividend policy. The Finance Committee also reviews the Company's annual and long-term financial strategies and objectives.

Compensation Committee

Compensation Committee Interlocks and Insider Participation

The Compensation Committee is comprised of Richard A. Collato (Chairman), Peter D. Bewley, Mario L. Crivello and Linda A. Lang, all of whom are independent directors as defined under the Nasdaq Rules. The Compensation Committee met five times during the last fiscal year. During the fiscal year ended August 31, 2012, there were no compensation committee interlock relationships with respect to members of the Board of Directors and the Compensation Committee as described in Item 407(e)(4)(iii) of Regulation S-K promulgated under the Exchange Act.

ITEM NO. 2

ADVISORY VOTE ON EXECUTIVE COMPENSATION

In accordance with the requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Company's stockholders are being asked to cast an advisory vote on the compensation of the Company's Named Executive Officers ("NEOs") identified in the Compensation Discussion and Analysis section of this proxy statement. This vote is commonly referred to as a "Say-on-Pay" vote.

At the Company's 2011 Annual Meeting of Stockholders, the first Say-on-Pay vote was held and the Company's stockholders were also asked, by a non-binding advisory vote, to express their preference as to the frequency of future Say-on-Pay votes. The Say-on-Pay resolution approving NEO compensation for 2011 was approved by more than 97% of the votes cast at the 2011 Annual Meeting of Stockholders. With regard to the advisory vote as to the frequency of future Say-on-Pay votes, the Board of Directors recommended annual Say-on-Pay voting. By approval of more than 86% of votes cast, the Company's stockholders expressed a preference to have Say-on-Pay votes every year.

The following resolution will be presented for approval by the Company's stockholders at the 2012 Annual Meeting of Stockholders:

"RESOLVED, that the stockholders of WD-40 Company (the "Company") hereby approve the compensation of the Company's Named Executive Officers as disclosed in the Compensation Discussion and Analysis section of the Company's proxy statement for the 2012 Annual Meeting of Stockholders and in the accompanying compensation tables and narrative disclosures."

The advisory vote on executive compensation is a non-binding vote on the compensation of the Company's NEOs. This proxy statement contains a description of the compensation provided to the NEOs as required by Item 402 of Regulation S-K promulgated under the Exchange Act.

Stockholders are encouraged to carefully consider the Compensation Discussion and Analysis, accompanying compensation tables and related narrative discussion in this proxy statement in considering this advisory vote. The Board of Directors believes that the compensation provided to the Company's NEOs offers a competitive pay package with a proper balance of current and long term incentives aligned with the interests of the Company's stockholders.

This is an advisory vote and will not affect compensation previously paid or awarded to the NEOs. While a vote disapproving the NEOs' executive compensation will not be binding on the Board of Directors or the Compensation Committee, the Compensation Committee will consider the results of the advisory vote in making future executive compensation decisions, and the Company's proxy statement in subsequent years will disclose whether and the extent to which the Compensation Committee and the Board of Directors have taken the most recent voting results into account.

Decisions relating to executive compensation for fiscal year 2012 were made in October 2011, prior to the first Say-on-Pay vote of stockholders at the 2011 Annual Meeting of Stockholders. The Board of Directors intends to maintain and further strengthen the Company's executive

compensation plans and practices in an effort to continue to receive strong stockholder approval in future Say-on-Pay votes.

The affirmative vote of a majority of the shares present in person or represented by proxy and entitled to vote on the proposal at the Annual Meeting of Stockholders is required to approve this advisory vote on executive compensation.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT STOCKHOLDERS VOTE **FOR** ADOPTION OF THE PROPOSED RESOLUTION FOR APPROVAL OF THE COMPENSATION OF THE COMPANY'S NAMED EXECUTIVE OFFICERS.

COMPENSATION DISCUSSION AND ANALYSIS

WD-40 Company's Compensation Discussion and Analysis addresses the processes and decisions of the Company's Board of Directors and the Compensation Committee of the Company's Board of Directors (the "Committee") with respect to the compensation of the Company's Named Executive Officers (the "NEOs"). For fiscal year 2012, the Company's NEOs were:

- Garry O. Ridge, our Chief Executive Officer ("CEO");
- Jay W. Rembolt, our Chief Financial Officer ("CFO");
- Michael J. Irwin, our Executive Vice President, Strategic Development;
- Michael L. Freeman, our Division President, the Americas; and
- William B. Noble, our Managing Director, Europe.

Summary of Fiscal Year 2012 Compensation Decisions

In establishing an appropriate framework for overall NEO compensation and in assessing such compensation for each NEO in light of individual performance and overall Company performance, the Committee considers actual and target levels of compensation in light of performance results over short-term and long-term periods. The Committee seeks to align individual NEO performance incentives with both short-term and long-term Company objectives. The Committee reviews each of the principal elements of NEO compensation to determine the effectiveness of the established framework for NEO compensation based on measures of Company performance, specifically including revenue growth, gross margin and EBITDA, but also including relative Company performance as compared to the established peer group of companies and applicable market indexes. Additionally, the Committee also considers the relative achievement of longer term strategic objectives as to which each NEO is accountable. The Committee believes that a review of NEO compensation over a period of several years demonstrates the effectiveness of the Company's established framework for NEO compensation.

The following is a summary of the decisions made by the Committee for NEO compensation for fiscal year 2012:

- For fiscal year 2012, our CEO's base salary was not increased. Base salaries for the NEOs other than our CEO and CFO were increased by amounts ranging from 1.5% to 2.1%. Base salaries for the NEOs were assessed in light of market data and a comparison of the Company's fiscal 2011 performance to comparable performance of the

Company's peer group used by the Committee for compensation benchmarking. The Committee's base salary adjustment decisions for fiscal year 2012 were made in recognition of relatively weak Company performance as compared to the peer group for fiscal year 2011. Our CEO's base salary was not increased also because his total target compensation was at or above the target pay position established by the Committee. Our CFO received a 7.3% salary increase, including both a merit increase and a market adjustment increase to bring his total target compensation closer to the target market pay position established by the Committee. Merit increases for the NEOs other than our CEO were awarded in recognition of relative achievement of individual performance measures and goals established for each NEO.

- With the exception of Mr. Freeman, no bonus compensation was earned by the NEOs under the Company's Performance Incentive Program. Results under the Company's Performance Incentive Program for fiscal year 2012 were based on the relative achievement of various performance measures established for each NEO at the beginning of the fiscal year. Mr. Freeman earned a small bonus due to attainment of a level of Regional EBITDA for the Americas representing 3.9% of the range from the minimum to the maximum target levels for such performance measure. While the Company's results for one of the applicable performance measures under the Performance Incentive Program, All Trade Blocs EBITDA, did satisfy the criteria for payout of a small bonus to the NEOs due to attainment of a level of Regional EBITDA for Asia Pacific, no bonuses were awarded to the NEOs with respect to this performance measure because all other performance measures fell short of minimum targets such that most Company employees received little or no bonus compensation.¹
- In October 2011, the NEOs received annual restricted stock unit ("RSU") awards providing for the issuance of a total of 9,544 shares of the Company's common stock to be earned by continued employment by the Company over a vesting period of three years. These awards serve a retention purpose together with an incentive to maximize long term stockholder value through share price appreciation.
- In October 2011, the NEOs received annual performance share unit ("PSU") awards providing for the issuance of shares of the Company's common stock following a two year performance vesting period based on relative levels of achievement of target levels for the Company's revenue and gross margin. These awards also serve a retention purpose together with enhanced incentives to achieve performance measure targets over the two year vesting period. If performance measure targets are met, a target number of shares of the Company's common stock equal to 14,316 shares would be issued to the NEOs. The actual number of shares to be issued will be from 0% to 150% of the target number of shares depending upon the relative achievement of the two performance measures.

¹ For a more complete description of the performance measures applicable under the Company's Performance Incentive Program, refer to the *Executive Officer Compensation Decisions* section below under the heading, *Performance Incentive Program*.

- RSU and PSU award amounts for fiscal year 2012 varied among the NEOs based on relative achievement of individual performance measures and goals established for each NEO as well as Company performance for fiscal year 2011 in areas over which each NEO had direct influence.
- For PSU awards to NEOs in October 2010 having a performance measurement period ending as of August 31, 2012, each NEO received 48.0% of the target number of shares as a result of relative achievement of the performance measures applicable to the PSU awards, Aggregate Revenue Growth and Gross Margin, over the two year measurement period. Aggregate Revenue Growth over the two year measurement period was 5.1%, which was less than the minimum performance goal of 15%, resulting in 0% of the target number of shares for this performance measure's portion of the PSU award being earned. Gross Margin over the two year measurement period was 49.6%, which exceeded the minimum performance goal of 45%, but was less than the target performance goal of 50%, resulting in 96% of the target number of shares for this performance measure's portion of the PSU award being earned. The resultant overall percentage achievement was 48.0% of the target number of shares for the PSU award being earned.¹

Governance of Executive Officer Compensation Program

The purpose of the Committee is to establish and administer the compensation arrangements for our CEO and the other executive officers of the Company, including the other NEOs, on behalf of the Board of Directors. The Committee is responsible for developing the Company's overall executive compensation strategy, with support from management and the Committee's compensation advisor. The Committee also has responsibilities in connection with administration of the Company's equity compensation plans.

The Committee operates pursuant to a Charter which outlines its responsibilities, including the Committee's responsibilities with respect to performance reviews and approval of annual compensation arrangements for the NEOs. A copy of the Charter can be found under the Officers and Directors link on the Investors page of the Company's website at <http://www.wd40company.com>.

Process for Evaluating Executive Officer Performance and Compensation

In accord with its Charter, the Committee works with the Company's Human Resources function in carrying out its responsibilities; the Vice President of Global Organization Development is management's liaison with the Committee. The Committee has engaged Compensia, Inc., a national compensation consulting firm, to provide advice and information relating to executive compensation. In fiscal year 2012, Compensia assisted the Committee in the evaluation of executive base salary, bonus compensation and equity incentive design and award levels, and the specific pay recommendation for our CEO. Compensia reports directly to the Committee and provides no additional services for management.

Executive Compensation Philosophy and Framework

Compensation Objectives

The Company's executive compensation program is designed to achieve four primary objectives:

1. Attract and retain high-caliber executives;

¹ For a more complete description of the PSU award performance measures and calculation of the number of shares issued to each NEO with respect to their fiscal year 2011 PSU awards, refer to the *Executive Officer Compensation Decisions* section below under the heading, *Performance Share Unit Awards*.

2. Align the interests and compensation of executives with the value created for stockholders;
3. Reinforce a sense of urgency among executives to achieve both short-term and long-term Company objectives; and
4. Create a direct, meaningful link between business and team success and individual performance and rewards.

Target Pay Position/Mix of Pay

The Company's compensation program consists primarily of base salary, annual cash incentives, and long-term oriented equity awards. Each of these components is discussed in greater detail in the *Executive Officer Compensation Decisions* section below. The Committee has established a target for executive officer total compensation (defined as base salary, plus performance incentive bonus, plus the grant date fair value of equity awards) at the 50th percentile relative to the market (details on the use of peer group data is provided below). Actual pay may vary, based on Company and/or individual performance, length of time within the position, and anticipated contribution. The Committee does not adhere to specific guidelines regarding the percentage of total compensation that should be represented by each compensation component. A review of total compensation for each NEO relative to the target market percentile is provided in the *Executive Officer Compensation Decisions* section below under the heading, *Overall Reasonableness of Compensation*.

Compensation Benchmarking

For purposes of its fiscal year 2012 compensation decisions, the Committee examined the executive compensation practices of a peer group of twenty companies to assess the competitiveness of the Company's executive compensation. Peer group companies were selected from a list of U.S. headquartered companies having revenues and earnings reasonably comparable to the Company and doing business in the specialty chemical industry or within specific consumer products categories. In addition to the peer group data, the Committee considers broad industry company data from published compensation surveys for a set of companies having revenues comparable to the Company. This mix of data has been weighted, 50% for the broad industry company data and 50% for the peer group data. The companies used in the peer group analysis for fiscal year 2012 compensation decisions were as follows:

- | | | |
|---------------------------------|---|----------------------------------|
| ● Aceto Corporation | ● Medicis Pharmaceutical Corporation | ● Prestige Brands Holdings, Inc. |
| ● American Vanguard Corporation | ● National Presto Industries Inc. | ● Quaker Chemical Corporation |
| ● Balchem Corporation | ● Nutraceutical International Corporation | ● STR Holdings, Inc. |
| ● Calgon Carbon Corporation | ● Oil-Dri Corporation of America | ● Trex Company, Inc. |
| ● Cambrex Corporation | ● Park Electrochemical Corp. | ● USANA Health Sciences, Inc. |
| ● Hawkins, Inc. | | ● Zep, Inc. |
| ● Innophos Holdings, Inc. | | |
| ● Inter Parfums, Inc. | | |
| ● Landec Corporation | | |

Executive Officer Compensation Decisions

Base Salary: Process

Base salaries for all executive officers, including the NEOs, are approved by the Committee effective for the beginning of each fiscal year. In setting base salaries, the Committee considers the salary range prepared by its compensation advisor based on each NEO's job responsibilities and the market 50th percentile target pay position. Salary adjustments, if any, are based on factors such as individual performance, position, current pay relative to the market, future anticipated contribution and the Company-wide merit increase budget. Assessment of individual performance follows a rigorous evaluation process, including self-evaluation and the establishment of annual goals for each executive officer and an assessment of the achievement thereof. Individual performance elements considered in this process included individual and company performance goals and achievements in such areas as growth, innovation, leadership, earnings and customer relations for Mr. Ridge; governance and risk, compliance, forecasting and financial reporting for Mr. Rembolt; strategic growth and earnings for Mr. Irwin; and teamwork, execution and growth for Messrs. Freeman and Noble.

Base Salary: Fiscal Year 2012

In October 2011, the Committee reviewed the market competitiveness of executive officer base salaries relative to peer group market data presented by the Committee's compensation advisor. The Committee considered each executive officer's individual performance relative to the performance elements identified above as well as the overall performance of the Company for fiscal year 2011. In that regard, the Committee considered the Company's relatively weak fiscal 2011 performance as compared to recently reported performance of the peer group companies. Based on these considerations, the Committee approved merit increases to the base salaries of the NEOs other than our CEO and CFO in the range of 1.5% to 2.1%. Our CEO received no base salary increase for fiscal year 2012 based on the foregoing considerations, including a determination that his total target compensation was at or above the 50th percentile relative to market as discussed above under the heading, *Target Pay Position/ Mix of Pay*. Our CFO received a base salary increase of 7.3%, including a market adjustment. The Committee concluded that a market adjustment to the CFO's salary was appropriate to bring his total target compensation closer to the 50th percentile relative to market.

Performance Incentive Program

The Company uses its Performance Incentive Program to tie executive officer compensation to the Company's financial performance. All Company employees participate in the same Performance Incentive Program as described below. The Performance Incentive Program is offered to the executive officers pursuant to the WD-40 Company Performance Incentive Compensation Plan approved by the stockholders at the 2008 Annual Meeting of Stockholders. The stockholders are being asked to re-approve the Performance Incentive Compensation Plan again this year together with approval of the material terms of performance goals under the WD-40 Company 2007 Stock Incentive Plan. See pages 38 through 45 of this proxy statement for additional information concerning these stockholder approval proposals.

The Performance Incentive Program is intended to provide direct incentives to all Company employees, including executive officers, to affect regional financial performance and, for the

Company as a whole, to promote increased sales at sustained or increasing levels of profitability. Specific performance measures tied to regional financial results are used in the Performance Incentive Program formulas as applied to each employee according to his or her particular area of responsibility.

For the NEOs, incentive awards for fiscal year 2012 were based on pre-established target levels for the following corporate performance measures (i) the Company's earnings before interest, taxes, depreciation and amortization ("EBITDA") computed for each of the Company's relevant financial reporting segments ("Regional EBITDA"); (ii) EBITDA computed based on a weighted average of the attainment for each of the three financial reporting segments ("All Trade Blocs EBITDA"); and (iii) EBITDA computed on a consolidated basis ("Global EBITDA"). The All Trade Blocs EBITDA performance measure weights the attainment of the Americas financial reporting segment at 50%; the attainment of the European financial reporting segment at 35%; and the attainment of the Asia Pacific financial reporting segment at 15%. The target levels for these performance measures for the NEOs were the same as the targets for such measures as applied to formulas for all other employees for whom such performance measures were applicable.

Depending upon actual performance results, the Performance Incentive Program bonus opportunities range from 0% to 100% of base salary for our CEO and from 0% to 60% of base salary for the other NEOs. The maximum bonus opportunity for our CEO at 100% of base salary as compared to the maximum bonus opportunity for the other NEOs at 60% of base salary has been established by the Board of Directors in recognition of the higher level of responsibility of our CEO for overall Company performance, in reliance on competitive market data that supports total potential CEO compensation at such levels, and to establish a compensation package for our CEO having a higher percentage of potential compensation tied to Company performance.

The maximum bonus for each NEO is referred to herein as their "annual opportunity". For each of the NEOs, the Performance Incentive Program for fiscal year 2012 provided three distinct performance measure levels for possible bonus awards. The first level represented 50% of the annual opportunity, the second level represented 30% of the annual opportunity and the third level represented 20% of the annual opportunity. These weightings were the same as applied to the Performance Incentive Program for all other employees of the Company. The maximum bonus payouts for Messrs. Freeman and Noble required achievement of specified segment targets for Regional EBITDA (first level), All Trade Blocs EBITDA (second level) and Company performance that equaled the maximum target amount for Global EBITDA as described below (third level). For Messrs. Ridge, Rembolt and Irwin (each of whom has global rather than regional responsibilities), the maximum bonus payouts required achievement of specified targets for Global EBITDA (first level), All Trade Blocs EBITDA (second level) and Company performance that equaled the maximum target amount for Global EBITDA as described below (third level).

After all bonus amounts earned for the first level and second level were calculated, the Global EBITDA result was measured. The maximum target amount of Global EBITDA was established by means of a formula that was based on all bonus payouts under the first and second levels and the anticipated maximum bonus payout under the third level.

Target and maximum payout amounts for each of the NEOs for the fiscal year 2012 Performance Incentive Program are disclosed in the Grants of Plan-Based Awards table on page 34 of this proxy statement.

The following table sets forth the fiscal year 2012 Performance Incentive Program payout weightings and the minimum and maximum target amounts for the performance measures applicable to each of the NEOs:

Level	Performance Measure	Garry O. Ridge Jay W. Rembolt Michael J. Irwin	Michael L. Freeman	William B. Noble	Minimum Target FY 2012 (\$ millions)	Maximum Target FY 2012 (\$ millions)
i	Regional EBITDA (Americas)	N/A	50%	N/A	\$ 42.4	\$ 46.0
i	Regional EBITDA (Europe) ¹	N/A	N/A	50%	\$ 29.7	\$ 34.9
i	Global EBITDA	50%	N/A	N/A	\$ 59.9	\$ 67.6
ii	All Trade Blocs EBITDA (weighted average)	30%	30%	30%	N/A	N/A
	Americas (50% weighting)				\$ 46.0	\$ 48.6
	Europe (35% weighting) ¹				\$ 34.9	\$ 36.9
	Asia Pacific (15% weighting)				\$ 8.9	\$ 9.5
iii	Global EBITDA	20%	20%	20%	\$ 62.2	\$ 65.6

¹European figures have been converted from pounds sterling at an average annual exchange rate for fiscal year 2012 of \$1.5809 per pound.

The following table sets forth the actual fiscal 2012 performance results and percentage achievement for each of the performance measures under the Performance Incentive Program formulas applicable to the NEOs:

Level	Performance Measure	Actual FY 2012 (\$ millions)	% Achievement
i	Regional EBITDA (Americas)	\$ 42.5	3.9%
i	Regional EBITDA (Europe) ¹	\$ 24.8	0.0%
i	Global EBITDA	\$ 56.9	0.0%
ii	All Trade Blocs EBITDA (weighted average)	N/A	5.6%
	Americas (50% weighting)	\$ 42.4	0.0%
	Europe (35% weighting) ¹	\$ 24.8	0.0%
	Asia Pacific (15% weighting)	\$ 9.1	37.6%
iii	Global EBITDA	\$ 55.4	0.0%

¹European figures have been converted from pounds sterling at an average annual exchange rate for fiscal year 2012 of \$1.5809 per pound.

Achievement of the maximum target levels for Regional Revenue and EBITDA and Global Revenue and EBITDA are intended to be attainable through the concerted efforts of all management teams working in their own regions and areas of responsibility and for the Company as a whole.

Based on the Company's fiscal 2012 performance and the Committee's certification of the relative attainment of each of the performance measures under the Performance Incentive Program, the payouts for our executive officers, including the NEOs, were calculated. On

October 8, 2012, the Committee approved payment of the following bonuses to the NEOs for fiscal 2012 performance:

Executive Officer	Title	FY 2012 Annual Incentive Opportunity (As % of Base Salary)	FY 2012 Bonus Paid (\$)	FY 2012 Actual Bonus (As % of Base Salary)
Garry O. Ridge	Chief Executive Officer	100%	\$ -	0%
Jay W. Rembolt	Vice President, Finance and Chief Executive Officer	60%	\$ -	0%
Michael J. Irwin	Executive Vice President, Strategic Development	60%	\$ -	0%
Michael L. Freeman	Division President, the Americas	60%	\$ 3,510	1%
William B. Noble	Managing Director, Europe	60%	\$ -	0%

While a portion of the Performance Incentive Program was achieved, it was quite modest. Other than the bonus payout to Mr. Freeman for attainment under the first level performance measure, Regional EBITDA for the Americas, the CEO recommended no payout of bonuses to executive officers since the intent of the Performance Incentive Program is to reward executives when their teams earn rewards from meeting or exceeding the targeted objectives. The Committee concurred with the CEO's recommendation and withheld bonus payouts for attainment of the All Trade Blocs EBITDA performance measure.

As an example of the operation of the Performance Incentive Program, Mr. Freeman's bonus payout for fiscal year 2012 was computed as follows:

- Bonus Opportunity = 60% X Salary (\$300,000) = \$180,000.
- Level 1 (Regional EBITDA) = 50% of Bonus Opportunity = \$90,000.
 - Level 1 Bonus = Level 1 Achievement (3.9%) X Level 1 Bonus Opportunity = \$3,510.
- Level 2 (All Trade Blocs EBITDA) = 30% of Bonus Opportunity = \$54,000.
 - Level 2 Bonus = Level 2 Achievement (5.6%) X Level 2 Bonus Opportunity = \$3,024.
- Level 3 (Global EBITDA) = 20% of Bonus Opportunity = \$36,000.
 - Level 3 Bonus = Level 3 Achievement (0%) X Level 3 Bonus Opportunity = \$0.

Mr. Freeman's aggregate earned bonus payout is thus calculated as the sum of the payouts under each of the three levels of the Performance Incentive Program, or \$6,534. However, as noted above, the Committee withheld payment of the Level 2 bonus payout, resulting in a bonus payout to Mr. Freeman in the amount of \$3,510.

Equity Compensation

Equity compensation is a critical component of the Company's efforts to attract and retain executives and key employees, encourage employee ownership in the Company, link pay with performance and align the interests of executive officers with those of stockholders. To provide appropriately directed incentives to our executive officers, the Committee has provided awards of both time-vesting restricted stock unit ("RSU") awards and performance-vesting performance share unit ("PSU") awards. Equity awards are awarded pursuant to the Company's 2007 Stock Incentive Plan (the "Stock Incentive Plan") approved by the stockholders at the 2007 Annual Meeting of Stockholders. The principal attributes and benefits of the RSU and PSU awards for executive officers are as follows:

- Both RSU and PSU awards provide for the issuance of shares of the Company's common stock upon vesting;

- RSU awards provide for vesting over a period of three years from the grant date;
- PSU awards provide for performance-based vesting over a performance measurement period of two fiscal years ending on August 31st of the second calendar year following the grant date. The performance measures for the PSU awards are equally weighted between targets established for the Company's aggregate revenue growth and gross margin as described in more detail below; and
- A mix of RSU and PSU awards for our executive officers was considered by the Committee to be appropriate as compared to RSU awards alone or stock options for the following reasons: i) PSU awards provide a more direct performance-based incentive; ii) RSU awards have a greater perceived value to recipients than stock options; iii) RSU and PSU awards, in the aggregate, have a lower compensation expense impact on the Company's financial results; iv) RSU and PSU awards have less dilutive impact on a share count basis; and v) the issuance of shares of the Company's common stock upon vesting encourages long-term stock ownership and facilitates the achievement of the Company's stock ownership guidelines (as described below in the *Other Compensation Policies* section, under the heading, *Executive Officer Stock Ownership Guidelines*).

The Board recognizes the potentially dilutive impact of equity awards. The Company's equity award practices are designed to balance the impact of dilution and the Company's need to remain competitive by recruiting, retaining and providing incentives for high-performing employees.

Restricted Stock Unit Awards

RSU awards provide for the issuance of shares of the Company's common stock to the award recipient upon vesting provided that the recipient remains employed with the Company through each vesting date. Shares of the Company's common stock equal to the portion of the RSU award that has vested are issued promptly upon the vesting date. The vesting date each year is the third business day following the release of the Company's annual earnings for the preceding fiscal year, but not later than November 15th. Payment of required withholding taxes due with respect to the vesting of the RSU awards, if any, will be covered through withholding of shares by the Company. The Company will issue a net number of shares to the recipient for a vested RSU award after withholding shares having a value as of the vesting date equal to the required tax withholding obligation.

Performance Share Unit Awards

PSU awards granted for fiscal year 2012 provide for performance-based vesting over a performance measurement period of two fiscal years ending August 31, 2013. The recipient must remain employed with the Company for vesting purposes until the date on which the Committee certifies achievement of the requisite performance provided for in the PSU Award Agreement. Shares of the Company's common stock equal to an "Applicable Percentage" of the "Target Number" of shares underlying the PSU award granted to the executive officers are issued as of the "Settlement Date". The Applicable Percentage is determined by reference to the performance vesting provisions of the PSU Award Agreement as described below. The Settlement Date for a PSU award is the third business day following the release of the Company's annual earnings for the second fiscal year of the performance measurement period. Payment of required withholding taxes due with respect to the settlement of a PSU award, if

any, will be covered through withholding of shares by the Company. The Company will issue a net number of shares to the recipient for a vested PSU award after withholding shares having a value as of the Settlement Date equal to the required tax withholding obligation.

The performance vesting provisions of the PSU awards granted for fiscal year 2012 are based on relative achievement of two equally weighted performance measures, “Aggregate Revenue Growth” and “Gross Margin”, over the performance measurement period of two fiscal years as provided in the table below:

Aggregate Revenue Growth	Gross Margin	Applicable Percentage
> 20%	> 52%	150%
20%	52%	150%
15%	50%	100%
10%	48%	50%
< 10%	< 48%	0%

In order to determine the Applicable Percentage of the Target Number of shares subject to a PSU award that will be vested upon achievement of the performance measures, the Applicable Percentage is determined independently for each performance measure and the two Applicable Percentages so determined are given equal weight by taking the simple average of the two amounts. For each performance measure, the Applicable Percentage will be determined on a straight line sliding scale from the minimum 50% Applicable Percentage achievement level to the maximum 150% Applicable Percentage achievement level.

Aggregate Revenue Growth is calculated as the annual percentage growth in world-wide consolidated net sales for the second fiscal year of the two fiscal year measurement period (defined in the PSU Award Agreement as the “Measurement Year”) as compared to the world-wide consolidated net sales for the fiscal year immediately preceding the two fiscal year performance measurement period (defined in the PSU Award Agreement as the “Base Year”). Net sales for the Measurement Year are to be measured by translation of all consolidated reporting entities’ actual local currency revenues into U.S. dollars at the Base Year average foreign currency exchange rate applicable to each such entity. For fiscal year 2012 PSU awards, the Committee adjusted the achievement band for Aggregate Revenue Growth from a range of 15% to 25% to a range of 10% to 20%. The lower range was established to account for realistic expectations for potential revenue growth for the Company under then current market conditions.

Gross Margin is calculated as the aggregate world-wide consolidated gross profit for the full two fiscal year performance measurement period as a percentage of aggregate world-wide consolidated net sales for the performance measurement period. Gross profit and net sales for the performance measurement period are to be measured by translation of all consolidated reporting entities’ actual local currency gross profits and net sales at the actual foreign currency exchange rate applicable to each such entity for the period, as reported. For fiscal year 2012 PSU awards, the Committee narrowed the achievement band for Gross Margin from a range of 45% to 55% to a range of 48% to 52% to avoid compensation for poor performance and to properly provide for compensation rewarding performance at the highest level of expected achievement for Gross Margin over a period of two fiscal years.

Fiscal Year 2012 Equity Awards

For fiscal year 2012, equity awards to our executive officers were granted to satisfy goals for executive officer retention, to provide incentives for future performance, and to meet objectives for overall levels of compensation and pay mix. In October 2011, the Committee approved RSU and PSU awards to the NEOs as set forth in the Grants of Plan-Based Awards table on page 34 of this proxy statement. In establishing award levels for the NEOs for fiscal year 2012, the Committee placed emphasis on long-term retention goals and desired incentives for future contributions. The RSU and PSU awards to our CEO were, consistent with past practice, larger than the awards to the other NEOs in recognition of his higher level of responsibility for overall Company performance and in reliance on market data that supports a higher level of equity compensation for our CEO. The specific award amounts were determined for each NEO based on an assessment of the NEO's achievement of individual performance goals as well as Company performance for fiscal year 2011 in areas over which the NEO had particular influence.

Performance Share Unit Award Vesting for Fiscal 2012 Performance Achievement

On October 8, 2012, the Committee certified achievement of the Aggregate Revenue Growth and Gross Margin performance measures for the performance measurement period ended August 31, 2012 for purposes of calculating the vested number of shares of the Company's common stock for PSU awards granted to the NEOs in October 2010. The performance measures and performance vesting requirements applicable to the PSUs awarded in 2010 were the same as those described above for the PSUs awarded for fiscal year 2012 except that the range of achievement for Aggregated Revenue Growth was 15% to 25% and the range of achievement for Gross Margin was 45% to 55% as noted above. The following table sets forth the calculated Aggregate Revenue Growth and Gross Margin for the measurement period ended August 31, 2012, and Applicable Percentage as to each performance measure and the Applicable Percentage of the Target Number of shares underlying the PSU awards.

	Calculated Performance Measure	Applicable Percentage
Aggregate Revenue Growth	5.1%	0%
Gross Margin	49.6%	96%
Applicable Percentage of Target Number of Shares		48.0%

For the PSU awards granted to the NEOs in October 2010, the NEOs were thus eligible to receive 48.0% of the target number of shares of the Company's common stock underlying the PSU awards. The following table sets forth the target number and vested number of shares underlying the PSU awards granted to each NEO in October 2010.

Executive Officer	Target Number	Vested Shares
Garry O. Ridge	9,600	4,608
Jay W. Rembolt	2,400	1,152
Michael J. Irwin	2,400	1,152
Michael L. Freeman	2,400	1,152
William B. Noble	2,400	1,152

Benefits and Perquisites

As is the case with most Company employees, the NEOs are provided with standard health and welfare benefits, as well as the opportunity to participate in the WD-40 Company Profit

Sharing/401(k) Plan (the “Plan”). The Plan serves to provide our executive officers, including the NEOs, with tax-advantaged retirement savings as an additional component of overall compensation. The Company’s contributions to the Plan may be invested by employees in a Company Stock Fund invested in shares of the Company’s common stock.

The Company maintains individual Supplemental Death Benefit Plan agreements with each of the NEOs other than Mr. Noble. The Company’s Supplemental Death Benefit Plan agreement obligations are funded by life insurance policies owned by the Company.

The Company also provides cars to our executive officers and private health insurance for Mr. Noble in excess of coverage available to other Company employees in the U.K. The costs associated with the perquisites and other personal benefits provided to the NEOs are included in the Summary Compensation Table included on page 33 of this proxy statement and they are separately identified in the footnote disclosure of such perquisites and other personal benefits included with the Summary Compensation Table.

The Committee considers the cost of the foregoing health and welfare benefits and perquisites in connection with its approval of the total compensation for each of our NEOs. All such costs are considered appropriate in support of the Committee’s objective of attracting and retaining high quality executive officers because they are common forms of compensation for senior executives and are expected by such executives when they consider competing compensation packages.

Post-Employment Obligations

The Company has change of control severance agreements with each of the NEOs. The specific terms of the agreements are described in detail on page 37 of this proxy statement. The agreements were entered into with our executive officers after extensive review by the Committee and the Board of Directors and negotiation with the executive officers to replace previously existing employment agreements. Consideration was given to possible inclusion of severance compensation to be paid to the executive officers in the event of their termination of employment without cause (or for good reason) without regard to the existence of a change of control of the Company. No such provisions were included and severance compensation is payable only following a termination of employment without “cause” or for “good reason” within two years following a “change of control” of the Company (as the quoted terms are defined in the severance agreements).

The Committee believes that the change of control severance agreements help ensure the best interests of stockholders by fostering continuous employment of key management personnel. As is the case in many public companies, the possibility of an unsolicited change of control exists. The uncertainty among management that can arise from a possible change of control can result in the untimely departure or distraction of key executive officers. Reasonable change of control severance agreements reinforce continued attention and dedication of executive officers to their assigned duties and support the Committee’s objective of retaining high quality executives.

Overall Reasonableness of Compensation

The Committee believes that the Company is achieving its compensation objectives and, in particular, rewards executive officers for driving operational success and stockholder value

creation. Based on reviews of tally sheets and a “pay-for-performance” analysis by the Committee, and in light of the Company’s compensation objectives, the Committee and the Board of Directors believe that the pay mix and target pay position relative to market for each of the NEOs are reasonable and appropriate. The “pay-for-performance” analysis includes a review of the individual components of executive officer compensation that are tied to Company performance, as measured by identified performance metrics as well as the price of the Company’s common stock. In particular, the Committee reviews executive officer bonus compensation to determine whether it appropriately rewards individual efforts directed toward the achievement of specific target levels of Company performance and does not otherwise provide rewards in the absence of reasonable measures of individual and Company success. Similarly, with respect to equity awards, the Committee considers the effectiveness of such awards in providing a reasonable incentive to the executive officers to pursue the achievement of performance targets for increasing revenues, gross margin and profitability without inappropriately rewarding the executive officers if performance targets are not achieved over the long term.

The following table sets forth the total compensation for each of our NEOs (as reported based on cash compensation received as base salary and performance incentive bonus plus the grant date fair value of equity awards) for fiscal year 2012, together with the relative market percentile for each NEO.

Executive Officer	Base Salary	Annual Bonus Earned	Grant Value of Stock Awards ¹	Total Compensation	Total Comp Received vs Market
Garry O. Ridge	\$ 601,747	\$ -	\$ 472,642	\$ 1,074,389	35th percentile
Jay W. Rembolt	\$ 267,000	\$ -	\$ 141,793	\$ 408,793	< 25th percentile
Michael J. Irwin	\$ 303,000	\$ -	\$ 94,529	\$ 397,529	< 25th percentile
Michael L. Freeman	\$ 300,000	\$ 3,510	\$ 141,793	\$ 445,303	30th percentile
William B. Noble ²	\$ 320,923	\$ -	\$ 94,529	\$ 415,452	< 25th percentile

¹Stock Awards are reported at their grant date fair values. Information concerning such awards for fiscal year 2012 is set forth in the Grants of Plan-Based Awards table on page 34 of this proxy statement.

²Mr. Noble’s salary amount has been converted from pounds sterling at an average annual exchange rate for fiscal year 2012 of \$1.5809 per pound.

For fiscal year 2012, total compensation for our NEOs was assessed by the external, independent consulting firm retained by the Committee. In reviewing total compensation for the NEOs, the Committee also reviews the Company’s relative performance against the peer group. Actual total compensation received by most of the executive officers was below the 25th percentile relative to market. Our CEO’s total compensation received was at the 35th percentile and total compensation received for our Division President, Americas was at the 30th percentile. These market position comparisons are based on the blended analysis from the Committee’s compensation consultant which incorporates proxy analysis and broader market information from global compensation survey sources as discussed above under the heading, *Compensation Benchmarking*.

Other Compensation Policies

Exchange Act Rule 10b5-1 Trading Plans and Insider Trading Guidelines

The Company maintains insider trading guidelines, including transaction pre-approval requirements, applicable to our officers and directors required to report changes in beneficial ownership under Section 16 of the Exchange Act as well as certain other employees who can be expected to have access to material non-public information concerning the Company. These insider trading guidelines also require pre-approval of all trading plans adopted pursuant to Rule 10b5-1 promulgated under the Exchange Act. To avoid the potential for abuse, the Company's policy with respect to such trading plans is that once adopted, trading plans are not subject to change or cancellation. Any such change or cancellation of an approved trading plan by an executive officer, director or employee covered by the Company's insider trading guidelines in violation thereof will result in the Company's refusal to approve future trading plan requests for that person.

Executive Officer Stock Ownership Guidelines

In December 2007, the Board of Directors approved guidelines for executive officer ownership of the Company's common stock. The guidelines specify that each executive officer will be expected to attain, within a period of five years from the date of adoption of the guidelines, and to maintain thereafter, equity ownership in the Company valued at not less than one times his or her current base salary for executive officers other than our CEO and two times base salary for our CEO.

Our CEO's higher required ownership guideline is consistent with the proportionately higher level of overall compensation received by our CEO as compared to the other NEOs, including proportionately higher levels of equity compensation. Valuation for purposes of the guidelines is to be determined at the higher of cost or current fair market value for shares of the Company's common stock held outright and shares underlying vested RSUs then held. Vested stock options are valued on a net after tax basis assuming a 45% marginal tax rate on the stock option value equal to the current market price for the Company's common stock less the option exercise price.

The Board of Directors believes that the stock ownership guidelines serve to improve alignment of the interests of our executive officers and the Company's stockholders. At the present time, all of the NEOs have attained the requisite level of stock ownership.

As noted above under the heading *Equity Compensation*, the NEOs receive both time-vesting RSU awards and performance-vesting PSU awards. As these awards vest, shares of the Company's common stock are issued to the NEOs and these shares may then be sold or retained, subject to the stock ownership guidelines described above. RSU and PSU awards held as of August 31, 2012, by the NEOs are set forth, together with stock options granted for fiscal years prior to 2009, in the Outstanding Equity Awards table on page 35 of this proxy statement. Each of the NEOs, other than Mr. Rembolt, hold vested RSU awards that must be retained until termination of employment as noted in the footnotes to the Security Ownership of Directors and Executive Officers table on pages 4-5 of this proxy statement.

Tax Considerations

Section 162(m) of the Internal Revenue Code of 1986 (the “Code”) limits the deductibility of compensation payable in any tax year to certain covered executive officers (generally limited to the NEOs, but presently excluding the CFO pursuant to current Treasury Department guidance). Section 162(m) of the Code generally provides that a publicly-held company cannot deduct compensation paid to its most highly paid executive officers to the extent that such compensation exceeds \$1 million per officer per taxable year. Compensation that is “performance-based” within the meaning of the Code does not count toward the \$1 million limit. Compensation paid in fiscal year 2012 to the NEOs pursuant to the WD-40 Company Performance Incentive Compensation Plan approved by the stockholders at the Company’s 2008 Annual Meeting of Stockholders is intended to qualify as “performance-based” compensation. In addition, vested shares under PSU awards are intended to qualify as “performance-based” compensation upon the Settlement Date for such awards.

While the Compensation Committee attempts to maximize the deductibility of compensation paid to the NEOs, the Committee retains the flexibility necessary to provide total compensation in line with competitive practice, the Company’s compensation philosophy, and the interests of stockholders. Therefore, the Company may from time to time pay compensation to its executive officers that may not be deductible under Section 162(m).

Accounting Considerations

We follow Financial Accounting Standard Board Accounting Standards Codification Topic 718 (“ASC Topic 718”) for our stock-based compensation awards. ASC Topic 718 requires companies to measure the compensation expense for all share-based payment awards made to employees and directors, including stock options and restricted stock awards, based on the grant date fair value of these awards. This calculation is performed for accounting purposes and reported in the compensation tables below, even though our executive officers may never realize any value from their awards. ASC Topic 718 also requires companies to recognize the compensation cost of their stock-based compensation awards in their income statements over the period that an executive officer is required to render service in exchange for the option or other award.

COMPENSATION COMMITTEE REPORT

The Compensation Committee of WD-40 Company’s Board of Directors has reviewed and discussed with management of the Company the Compensation Discussion and Analysis included in this proxy statement and the Company’s annual report on Form 10-K for the year ended August 31, 2012, and, based upon that review and discussion, recommended to the board that it be so included.

Compensation Committee
Richard A. Collato, Chair
Peter D. Bewley
Mario L. Crivello
Linda A. Lang

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires the Company's directors and executive officers, and persons who own more than ten percent of the Company's stock, to file with the Securities Exchange Commission initial reports of stock ownership and reports of changes in stock ownership. Reporting persons are required by SEC regulation to furnish the Company with copies of all Section 16(a) reports they file.

To the Company's knowledge, based solely on review of the copies of such reports furnished to the Company during the last fiscal year and written representations that no other reports were required, except as described below, all Section 16(a) requirements were complied with by all persons required to report with respect to the Company's equity securities during the last fiscal year.

On October 26, 2011, Mario L. Crivello filed a late report on Form 5 to report previously unreported gift transfers of shares in February 2010 and February 2011. On August 28, 2012, Maria M. Mitchell filed a late report on Form 4 to report an open market purchase of shares on August 23, 2012.

EXECUTIVE COMPENSATION

None of our executive officers has an employment agreement or other arrangement, whether written or unwritten, providing for a term of employment or compensation for services rendered other than under specific plans or programs described herein.

For fiscal year 2012, our executive officers received a base salary amount established by the Compensation Committee of the Board of Directors at the beginning of the fiscal year. In addition, each employee of the Company, including each executive officer, may receive bonus compensation under a Performance Incentive Program established at the beginning of the fiscal year by the Company and, for our executive officers, by the Committee. A complete description of the Performance Incentive Program is provided in the Compensation Discussion and Analysis section of this proxy statement under the heading *Performance Incentive Program*. Information regarding the target and maximum potential bonus compensation payable under the Performance Incentive Program for fiscal year 2012 is provided in the Grants of Plan-Based Awards table on page 34 of this proxy statement. The actual payouts under the Performance Incentive Program for fiscal year 2012 and further details regarding the program are provided in the Compensation Discussion and Analysis section of this proxy statement.

The following table shows information for the three fiscal years ended August 31, 2012, August 31, 2011 and August 31, 2010 concerning the compensation of our CEO, our CFO and the three most highly compensated executive officers other than the CEO and CFO as of the end of fiscal year 2012 (collectively, the “Named Executive Officers” or “NEOs”).

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary	Stock Awards ¹	Non-Equity Incentive Plan Compensation ²	All Other Compensation ³	Total
Garry O. Ridge	2012	\$ 601,747	\$ 472,642	\$ -	\$ 68,303	\$ 1,142,692
President and Chief	2011	601,747	590,144	-	72,486	1,264,377
Executive Officer	2010	573,092	513,344	550,027	68,573	1,705,036
Jay W. Rembolt	2012	\$ 267,000	\$ 141,793	\$ -	\$ 73,665	\$ 482,458
Vice President, Finance	2011	248,822	147,536	-	79,266	475,624
and Chief Financial Officer	2010	222,600	128,336	128,185	73,494	552,615
Michael J. Irwin	2012	\$ 303,000	\$ 94,529	\$ -	\$ 72,498	\$ 470,027
Executive Vice President,	2011	296,888	147,536	-	74,223	518,647
Strategic Development	2010	286,848	128,336	165,182	74,874	655,240
Michael L. Freeman	2012	\$ 300,000	\$ 141,793	\$ 3,510	\$ 73,073	\$ 518,376
Division President,	2011	293,990	147,536	-	78,510	520,036
the Americas	2010	279,990	128,336	154,999	75,509	638,834
William B. Noble ⁴	2012	\$ 320,923	\$ 94,529	\$ -	\$ 77,056	\$ 492,508
Managing Director Europe	2011	319,531	147,536	19,771	99,126	585,964
WD-40 Company (U.K.) Ltd.	2010	298,469	128,336	171,475	79,424	677,704

¹Stock Awards for fiscal years 2012, 2011 and 2010 are reported at their grant date fair values. Grant date fair value assumptions and related information is set forth in Note 14, *Stock-based Compensation*, to the Company's financial statements included in the Company's annual report on Form 10-K filed on October 22, 2012. Stock Awards consisting of performance share units ("PSUs") awarded in fiscal years 2012, 2011 and 2010 are included based on the value of 100% of the target number of shares of the Company's common stock to be issued upon achievement of the applicable performance measures. For achievement of the highest level of all applicable performance measures for the PSUs, NEOs will receive 150% of the target number of shares. For fiscal year 2012, the total amounts for Stock Awards based on the grant date fair values for all PSU awards based on the maximum number of shares to be received would be as follows: \$614,406 for Mr. Ridge, \$184,315 for Mr. Rembolt and Mr. Freeman and \$122,890 for Mr. Irwin and Mr. Noble. Based on the actual number of vested PSU awards for those awards granted in fiscal years 2011 and 2010 (see the Compensation Discussion and Analysis section under the heading, *Equity Compensation*, for details relating to the vesting of PSUs awarded for fiscal year 2011), the total amounts for Stock Awards for fiscal years 2011 and 2010 for each of the NEOs would have been as follows: \$406,039 and \$370,139, respectively, for Mr. Ridge and \$101,510 and \$92,535, respectively, for each of the other NEOs.

²Amounts reported as Non-Equity Incentive Plan Compensation represent incentive bonus payouts under the Company's Performance Incentive Program as described in the narrative preceding the Summary Compensation Table and in the Compensation Discussion and Analysis section of this proxy statement. Threshold, target and maximum payouts for each of the NEOs for fiscal year 2012 are set forth in the Grants of Plan-Based Awards table on page 34 of this proxy statement.

³All Other Compensation for each of the NEOs includes, among other nominal cost benefits, group medical, dental, vision, wellness, and life insurance benefit costs for each NEO other than Mr. Noble and supplemental health insurance costs for Mr. Noble ("welfare benefit costs"), employer profit sharing and matching contributions to the Company's 401(k) Profit Sharing Plan for each NEO other than Mr. Noble and a U.K. retirement benefit for Mr. Noble, and vehicle allowance costs which include lease or depreciation expense, fuel, maintenance and insurance costs for each NEO other than Mr. Noble and a cash allowance and fuel for Mr. Noble. For fiscal year 2012, the welfare benefit costs for each NEO were as follows: Mr. Ridge - \$10,673; Mr. Rembolt - \$20,178; Mr. Irwin - \$18,178; Mr. Freeman - \$19,678; and Mr. Noble - \$8,531. For fiscal year 2012, the profit sharing and matching contributions for each of the NEOs other than Mr. Noble were \$41,667, and Mr. Noble's retirement cost was \$51,073. The vehicle allowance costs for each NEO for fiscal year 2012 were as follows: Mr. Ridge - \$15,963; Mr. Rembolt - \$11,820; Mr. Irwin - \$12,653; Mr. Freeman - \$11,728; and Mr. Noble - \$17,453.

⁴Mr. Noble's Salary, Non-Equity Incentive Plan Compensation and All Other Compensation for each fiscal year have been converted from pounds sterling at average annual exchange rates for the year as follows: for fiscal year 2012 at \$1.5809 per pound, for fiscal year 2011 at \$1.5981 per pound and for fiscal year 2010 at \$1.5674 per pound.

In December 2007, the Company's stockholders approved the WD-40 Company 2007 Stock Incentive Plan to authorize the issuance of stock-based compensation awards to employees, directors and consultants. In addition to base salary and the Performance Incentive bonus, for fiscal year 2012 the executive officers were granted RSU and PSU awards under the Stock Incentive Plan. A description of the RSU and PSU awards is provided in the Compensation Discussion and Analysis section at page 24 of this proxy statement.

Information concerning the grant of RSU and PSU awards to the NEOs is provided in the following Grants of Plan-Based Awards table. The table also contains information with respect to Performance Incentive Program opportunity awards for fiscal year 2012 as described in the Compensation Discussion and Analysis section under the heading *Performance Incentive Program* on page 20 of this proxy statement. The table provides threshold, target and maximum payout information relating to the Company's fiscal year 2012 Performance Incentive Program.

GRANTS OF PLAN-BASED AWARDS Fiscal Year 2012

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards ¹			Estimated Future Payouts Under Equity Incentive Plan Awards ²			All Other Stock Awards: Number of Shares of Stock or Units ³ (#)	Grant Date Fair Value of Stock and Options Awards ⁴ (\$)
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)		
Garry O. Ridge	10/11/2011	\$ 1	\$ 300,874	\$ 601,747					
	10/11/2011				3,579	7,158	10,737		\$ 283,528
	10/11/2011							4,772 RSUs	\$ 189,114
Jay W. Rembolt	10/11/2011	\$ 1	\$ 80,100	\$ 160,200					
	10/11/2011				1,073	2,147	3,220		\$ 85,043
	10/11/2011							1,432 RSUs	\$ 56,750
Michael J. Irwin	10/11/2011	\$ 1	\$ 90,900	\$ 181,800					
	10/11/2011				716	1,432	2,148		\$ 56,722
	10/11/2011							954 RSUs	\$ 37,807
Michael L. Freeman	10/11/2011	\$ 1	\$ 90,000	\$ 180,000					
	10/11/2011				1,073	2,147	3,220		\$ 85,043
	10/11/2011							1,432 RSUs	\$ 56,750
William B. Noble ⁵	10/11/2011	\$ 1	\$ 96,277	\$ 192,554					
	10/11/2011				716	1,432	2,148		\$ 56,722
	10/11/2011							954 RSUs	\$ 37,807

¹ The Estimated Future Payouts Under Non-Equity Incentive Plan Awards represent Threshold, Target and Maximum payouts under the WD-40 Company Performance Incentive Plan for bonuses payable for fiscal 2012 performance. The Target amount represents fifty percent of the Maximum payout for each NEO. The Maximum amount represents the bonus opportunity for each NEO that assumes full achievement of the performance measures for each of the first two levels of the Performance Incentive Program (as more fully discussed above in the Compensation Discussion and Analysis section under the heading, *Performance Incentive Program*) and attainment by the Company of a level of Global EBITDA sufficient to maximize such payouts under the Performance Incentive Program's third level formula applicable to all employees.

² The Estimated Future Payouts Under Equity Incentive Plan Awards represent the Threshold, Target and Maximum number of shares to be issued upon performance vesting of PSU awards as described in the Compensation Discussion and Analysis section under the heading, *Equity Compensation*.

³ All Other Stock Awards represent RSUs described in the Compensation Discussion and Analysis section under the heading, *Equity Compensation*.

⁴ Information relating to the Grant Date Fair Value of Stock Awards is included in footnote 1 to the Summary Compensation Table on page 33 of this proxy statement.

⁵ The Target and Maximum amounts for Mr. Noble's Estimated Future Payouts Under Non-Equity Incentive Plan Awards have been converted from pounds sterling at an average annual exchange rate for fiscal year 2012 of \$1.5809 per pound.

The following table provides detailed information concerning the unexercised stock options and RSU and PSU awards that were not vested as of the end of the last fiscal year for each of the NEOs.

OUTSTANDING EQUITY AWARDS At 2012 Fiscal Year End

Name	Option Awards				Stock Awards			
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#) ¹	Market Value of Shares or Units of Stock That Have Not Vested (\$) ²	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#) ³	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$) ⁴
Garry O. Ridge	60,000	-	36.03	10/16/17	11,108	\$ 542,181	16,758	\$ 817,958
Total	60,000	-			11,108	\$ 542,181	16,758	\$ 817,958
Jay W. Rembolt	5,000	-	29.30	9/23/13	3,016	\$ 147,211	4,547	\$ 221,939
	5,000	-	27.67	10/19/14				
	5,000	-	27.27	10/18/15				
	5,000	-	35.99	10/17/16				
	6,160	-	36.03	10/16/17				
Total	26,160	-			3,016	\$ 147,211	4,547	\$ 221,939
Michael J. Irwin	-	-			2,538	\$ 123,880	3,832	\$ 187,040
Total	-	-			2,538	\$ 123,880	3,832	\$ 187,040
Michael L. Freeman	3,501	-	36.03	10/16/17	3,016	\$ 147,211	4,547	\$ 221,939
Total	3,501	-			3,016	\$ 147,211	4,547	\$ 221,939
William B. Noble	5,000	-	29.30	9/23/13	2,538	\$ 123,880	3,832	\$ 187,040
	10,000	-	35.99	10/17/16				
	20,000	-	36.03	10/16/17				
Total	35,000	-			2,538	\$ 123,880	3,832	\$ 187,040

¹ Represents RSU awards to the NEOs that were not vested as of the fiscal year end.

² The Market Value of the RSU awards at fiscal year end was \$48.81 per unit, determined by reference to the closing price for the Company's common stock as of August 31, 2012.

³ Represents the target number of shares to be issued with respect to PSU awards granted to the NEOs that were not vested as of the fiscal year end. The target number of shares to be issued with respect to PSU awards equals the number of shares to be issued with respect to the PSU awards upon achievement of the mid-point target level of performance for such PSU awards as described above in the Compensation Discussion and Analysis section under the heading, *Equity Compensation*.

⁴ The Market Value of the target number of shares to be issued with respect to unvested PSU awards at fiscal year end was \$48.81 per share, determined by reference to the closing price for the Company's common stock as of August 31, 2012.

The following table sets forth the number of shares of the Company's common stock acquired on exercise of stock options in the Company's last fiscal year and the aggregate dollar value realized on exercise of such stock options for the NEOs. The table also sets forth the number of shares of the Company's common stock acquired upon the vesting of RSU and PSU awards in the Company's last fiscal year and the aggregate dollar value realized with respect to such vested RSU and PSU awards. Information concerning vested PSU awards granted in October 2010 having a performance measurement period ending as of August 31, 2012 is provided in the Compensation Discussion and Analysis section of this proxy statement under the heading, *Equity Compensation*.

OPTION EXERCISES AND STOCK VESTED Fiscal Year 2012

Executive Officer	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise¹ (\$)	Number of Shares Acquired on Vesting² (#)	Value Realized on Vesting³ (\$)
Garry O. Ridge	35,000	\$ 413,572	13,384	\$ 601,343
Jay W. Rembolt	6,504	\$ 92,200	4,088	\$ 183,674
Michael J. Irwin	-	\$ -	4,088	\$ 183,674
Michael L. Freeman	11,199	\$ 141,018	4,088	\$ 183,674
William B. Noble	-	\$ -	4,088	\$ 183,674

¹ The Value Realized on Exercise is calculated by subtracting the aggregate exercise price for the shares of the Company's common stock acquired upon exercise of the stock options from the fair market value price of such shares as of the date of exercise. The fair market value price of each share at exercise is the actual trade price for the share if sold in a cashless exercise transaction, otherwise by the closing price as of the date of exercise.

² The Number of Shares Acquired on Vesting for each NEO includes shares of the Company's common stock issued upon vesting of RSU and PSU awards on October 20, 2011.

³ The Value Realized on Vesting for shares of the Company's common stock issued on October 20, 2011 is calculated based on the number of vested RSU and PSU awards multiplied by the closing price of \$44.93 for the Company's common stock as of that date.

Supplemental Death Benefit Plans and Supplemental Insurance Benefits

The Company maintains Supplemental Death Benefit Plans for the NEOs other than Mr. Noble. Under the death benefit plan agreements, the NEO's designated beneficiary or estate, as applicable, will receive a death benefit equal to the NEO's then current base salary in the event of his death prior to retirement from the Company. All of the NEOs are also eligible to receive life insurance benefits offered to all employees of the Company and, in the case of Mr. Noble, to all employees of the Company's U.K. subsidiary.

The death benefits under the Supplemental Death Benefit Plans are not formally funded but the Company has purchased key man life insurance policies owned by the Company to cover its benefit obligations. The Board of Directors has determined which key employees participate in the plans and the amount of the benefit payable for each participant. Non-employee directors do not have death benefit plan agreements.

Based upon their fiscal year 2012 base salaries, the supplemental death benefit to be provided to the NEOs other than Mr. Noble as of the end of fiscal year 2012 would have been as set forth in the following table.

<u>Executive Officer</u>	<u>Death Benefit</u>
Garry O. Ridge	\$ 601,747
Jay W. Rembolt	\$ 267,000
Michael J. Irwin	\$ 303,000
Michael L. Freeman	\$ 300,000
William B. Noble	\$ -

Change of Control Severance Agreements

Each executive officer serves at the pleasure of the Board of Directors. On February 14, 2006, the Company entered into Change of Control Severance Agreements (“Severance Agreements”) with each of the executive officers identified in the Summary Compensation Table above, with the exception of Mr. Rembolt. On October 16, 2008, the Company entered into a Severance Agreement with Mr. Rembolt. The Severance Agreements provide that each executive officer will receive certain severance benefits if his employment is terminated without “Cause” or if he resigns for “Good Reason”, as those terms are defined in the Severance Agreements, within two years after a “Change of Control” as defined in the Severance Agreements and summarized below. If the executive officer’s employment is terminated during the aforementioned two-year period by the Company without “Cause” or by the executive officer for “Good Reason”, the executive officer will be entitled to a lump sum payment (subject to limits provided by reference to Section 280G of the Internal Revenue Code which limits the deductibility of certain payments to executives upon a change in control) of twice the executive officer’s salary, calculated based on the greater of the executive officer’s then current annual salary or a five-year average, plus twice the executive officer’s bonus compensation, calculated based on the greater of the most recent annual bonus compensation or a five-year average. Further, any of the executive officer’s outstanding stock options and other equity incentive awards that are not then fully vested will be accelerated and vested in full following such termination of employment within such two-year period and the executive officer will be entitled to continuation of health and welfare benefits under the Company’s then existing benefit plans or equivalent benefits for a period of up to two years from the date of termination of employment. No employment rights or benefits other than the change of control severance benefits described in this paragraph are provided by the Severance Agreements.

For purposes of the Severance Agreements and subject to the express provisions and limitations contained therein, a “Change of Control” means a transaction or series of transactions by which a person or persons acting together acquire more than 30% of the Company’s outstanding shares; a change in a majority of the incumbent members of the Company’s Board of Directors as specified in the Severance Agreements, a reorganization, merger or consolidation as specified in the Severance Agreements or a sale of substantially all of the assets or complete liquidation of the Company. As specified more particularly in the Severance Agreements, a “Change of Control” does not include a reorganization, merger or consolidation or a sale or liquidation where a majority of the incumbent members of the Company’s Board of Directors continue in office and more than 60% of the successor company’s shares are owned by the Company’s pre-transaction stockholders.

The Severance Agreements have a term of two years, subject to automatic renewal for successive two year periods unless notice of non-renewal is provided by the Company's Board of Directors not less than six months prior to the end of the current term. The term of the Severance Agreements will be automatically extended for a term of two years following any "Change of Control."

The following table sets forth the estimated amounts payable to each of the NEOs pursuant to their respective Severance Agreements on the assumption that the employment of each NEO was terminated without "Cause" or otherwise for "Good Reason" effective as of the end of fiscal year 2012 following a "Change of Control" as provided for in the Severance Agreements. The table also includes the value, as of the end of the fiscal year, of all RSU and PSU awards that were not vested as of the end of fiscal year 2012.

Executive Officer	Severance Pay¹	Welfare Benefits²	Accelerated Vesting of RSUs and PSUs³	Total Change of Control Severance Benefits
Garry O. Ridge	\$ 1,629,341	\$ 21,346	\$ 1,360,139	\$ 3,010,826
Jay W. Rembolt	\$ 632,196	\$ 40,356	\$ 369,150	\$ 1,041,702
Michael J. Irwin	\$ 741,796	\$ 36,356	\$ 310,920	\$ 1,089,072
Michael L. Freeman	\$ 693,970	\$ 39,356	\$ 369,190	\$ 1,102,516
William B. Noble	\$ 823,192	\$ 17,062	\$ 310,920	\$ 1,151,174

¹For each NEO, Severance Pay includes two times the reported fiscal year 2012 base salary plus two times the 5 year average amount of bonus compensation paid to the NEOs for the fiscal years 2007 through 2011.

²For each NEO, Welfare Benefits includes an estimate of the Company's cost to provide 2 years of continuation coverage under the Company's welfare benefit plans, which does not include life insurance or long-term disability insurance.

³The value included for accelerated vesting of RSU and PSU awards equals the value of the RSU and PSU awards that were not vested at \$48.81 for each RSU and PSU based on the closing price for the Company's common stock as of August 31, 2012. PSUs are valued for this purpose based upon the Target Number of shares of the Company's common stock to be issued with respect to the PSUs as described above in the Compensation Discussion and Analysis section under the heading, *Equity Compensation*, in the event of the acceleration of vesting thereof pursuant to the NEOs' Severance Agreements and PSU Award Agreements.

ITEM NO. 3

APPROVAL OF THE MATERIAL TERMS OF THE PERFORMANCE GOALS UNDER THE WD-40 COMPANY 2007 STOCK INCENTIVE PLAN

The Company currently maintains the WD-40 Company 2007 Stock Incentive Plan (the "2007 Plan") to provide for the grant of equity-based compensation awards ("Awards") to employees, directors and consultants of the Company. The 2007 Plan was approved by stockholders at the Company's 2007 Annual Meeting of Stockholders on December 11, 2007 and the 2007 Plan became effective as of that date. In order to allow certain performance-based awards under the 2007 Plan to continue to qualify as tax-deductible "performance-based compensation" within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"), the Board of Directors is asking stockholders to re-approve the material terms of the performance goals under the 2007 Plan.

Stockholders are being asked only to re-approve the material terms of the performance goals under the 2007 Plan at the Annual Meeting of Stockholders. These terms are the same as those that the stockholders previously approved in 2007. Stockholders are not being asked to approve any amendment to the 2007 Plan or to approve the 2007 Plan itself. Importantly, the Board of Directors is not asking stockholders to approve an increase in the number of shares of the Company's common stock ("Shares") available for grant under the 2007 Plan or to extend the term of the 2007 Plan, which will terminate on December 10, 2017.

If the stockholders do not approve the material terms of the performance goals for performance-based Awards, there will be no impact on the terms of the 2007 Plan. The 2007 Plan will continue to remain in existence and equity-based compensation grants may continue to be made in accordance with the terms of the 2007 Plan. The only impact on the Company will be that the entire value of certain Awards that are based on the achievement of one or more performance goals may no longer qualify for a tax deduction under the Code as a result of the limitations imposed under Section 162(m) of the Code.

The Board of Directors believes that it is in the best interests of the Company and its stockholders to enable the Company to implement equity-based compensation arrangements that qualify as fully tax deductible performance-based compensation under the 2007 Plan. The Board of Directors is therefore asking stockholders to re-approve, for Section 162(m) purposes, the material terms of the performance goals under the 2007 Plan as described in the paragraphs that follow.

In general, Section 162(m) places a limit on the deductibility for federal income tax purposes of the compensation paid to the Company's CEO and to any of the Company's three most highly compensated executive officers (other than the Company's CEO and CFO). Under Section 162(m), compensation paid to such persons in excess of \$1 million in a taxable year is not generally deductible. However, compensation that qualifies as "performance-based" under Section 162(m) does not count against the \$1 million limitation. One of the requirements of performance-based compensation for purposes of Section 162(m) is that the material terms of the performance goals under which compensation may be paid be disclosed to and approved by the Company's stockholders. In addition, Section 162(m) provides that if the Company's Compensation Committee (the "Committee") retains the authority to select, change or otherwise specify the targets for performance goals under the plan providing for such performance-based compensation, then the Company must, no later than the first meeting of stockholders that occurs in the fifth year following the year in the which prior stockholder approval was obtained, again disclose the material terms of the performance goals to stockholders for re-approval.

For purposes of Section 162(m), the material terms of the performance goals under the 2007 Plan include (a) the employees eligible to receive compensation, (b) a description of the business criteria on which the performance goal is based and (c) the maximum amount of compensation that can be paid to an employee under the performance goal. Each of these aspects of the 2007 Plan is discussed in summary below, and stockholder approval of this Item will be deemed to constitute approval of each of these aspects of the 2007 Plan for purposes of the approval requirements of Section 162(m) of the Code.

The following summary does not purport to be complete and is subject to, and qualified in its entirety by, the provisions of the 2007 Plan, a copy of which is available from the SEC and was publicly filed with the SEC on October 22, 2012 as Exhibit 10(a) to the Company's Annual Report on Form 10-K for the year ended August 31, 2012. Capitalized terms used herein and not defined shall have the same meanings as set forth in the 2007 Plan.

Material Terms of the Performance Goals for Performance-Based Awards under the 2007 Plan

Types of Performance-Based Awards and Maximum Amount of Compensation

The 2007 Plan permits the grant of the following types of incentive Awards: (1) Stock Options (qualified and non-qualified), (2) Stock Appreciation Rights ("SARs"), (3) Restricted Stock, (4) Restricted Stock Units ("RSUs"), (5) Performance Shares, (6) Performance Units and (7) Other Stock-Based Awards. Awards of Restricted Stock, RSUs, Performance Shares (and Other Stock-Based Awards (referred to below as "Share-Based Awards") and Awards of Performance Units (referred to below as "Cash-Based Awards") may include performance vesting terms and conditions.

Share-Based Awards

Each Restricted Stock, RSU and Performance Share award will be evidenced by an Award Agreement that will specify the purchase price (if any) and such other terms and conditions as the Committee shall determine. The Committee will have the discretion to determine (i) the number of Shares subject to a Restricted Stock, RSU or Performance Share Award granted to any Participant and (ii) the performance-based conditions that must be satisfied for grant or vesting, provided that there shall be a minimum vesting period of one (1) year.

The Committee may grant Other Stock-Based Awards that may include, without limitation, grants of Shares based on attainment of performance goals, payment of Shares as a bonus in lieu of cash based on performance goals and the payment of Shares in lieu of cash under other Company incentive or bonus programs. The Committee will have the discretion to determine the vesting of any such Award, provided that, except as specified in an Award Agreement upon a termination of employment or a Change in Control or Subsidiary Disposition, there shall be a minimum vesting period of one (1) year, provided that an Award for payment of Shares in lieu of cash under other Company incentive or bonus programs shall not be subject to a minimum vesting period.

In order that Share-Based Awards subject to vesting upon attainment of specified performance goals may qualify as performance-based compensation under Section 162(m) of the Code, no Participant may be granted Awards of Restricted Stock, RSUs, Performance Shares or Other Stock-Based Awards with respect to more than 125,000 Shares in any one year period, provided that such limit is increased to 250,000 Shares for a Participant during the year following his or her date of hire.

Cash-Based Awards

Performance Units are similar to Performance Shares, except that they are cash-based and may be settled in Shares, cash or a combination of the two. The Shares available for issuance under the 2007 Plan will not be diminished as a result of the settlement of a Performance Unit

in cash. Each Performance Unit grant will be evidenced by an Award Agreement that will specify such terms and performance-based conditions as may be determined at the discretion of the Committee, provided that there shall be a minimum vesting period of one (1) year.

In order that Performance Unit Awards may qualify as performance-based compensation under Section 162(m), no Participant shall be granted a Performance Unit Award providing for a payment value of more than \$2,500,000 in any one fiscal year.

Eligibility to Receive Awards

The 2007 Plan provides that Awards may be granted to employees, directors or consultants of the Company or its subsidiaries. The Company has 379 total employees currently eligible to participate in the 2007 Plan, 32 of which are presently identified as participants, having received Awards under the 2007 Plan on October 25, 2012. All non-employee directors are eligible to participate in the 2007 Plan. No consultants have been identified as prospective participants.

Performance Measures for Performance-Based Awards

As noted above, certain Awards under the 2007 Plan will be intended to qualify as performance-based compensation for purposes of tax deductibility under Section 162(m) of the Code. For any such Award, the Committee will establish the performance objectives to be used within 90 days after the commencement of the specified Performance Period (being at least one (1) year). The performance objectives to be used shall be selected from the following list of measures (collectively, the "Performance Measures"): total shareholder return, stock price, net customer sales, volume, gross profit, gross margin, operating profit, operating margin, management profit, earnings from continuing operations (including derivatives thereof before interest, taxes, depreciation and/or amortization), earnings per share from continuing operations, net operating profit after tax, net earnings, net earnings per share, brand contribution to earnings, return on assets, return on investment, return on equity, return on invested capital, cost of capital, average capital employed, cash value added, economic value added, cash flow, cash flow from operations, working capital, working capital as a percentage of net customer sales, asset growth, asset turnover, market share, customer satisfaction and employee satisfaction. The targeted level or levels of performance with respect to the Performance Measures may be established at such levels and on such terms as the Committee may determine, in its discretion, on a corporate-wide basis or with respect to one or more business units, divisions, subsidiaries, business segments or functions, and in either absolute terms or relative to the performance of one or more comparable companies or an index covering multiple companies. Unless otherwise determined by the Committee, measurement of the Performance Measures above shall exclude the impact of charges for restructurings, discontinued operations, extraordinary items and other unusual or non-recurring items, as well as the cumulative effects of tax or accounting changes, each as determined in accordance with generally accepted accounting principles or identified in the Company's financial statements, notes to the financial statements, management's discussion and analysis or other filings with the SEC. Awards that are not intended to qualify as performance-based compensation under Section 162(m) of the Code may be based on these or such other performance targets as the Committee may determine.

Vote Required and Board of Directors' Recommendation

The affirmative vote of a majority of the shares of common stock represented and entitled to vote at the Annual Meeting of Stockholders is required to approve the material terms of the performance goals under the 2007 Plan. The persons designated in the enclosed proxy will vote your shares **FOR** approval unless you include instructions to the contrary. The Board of Directors urges stockholders to vote in favor of approval of the material terms of performance goals under the WD-40 Company 2007 Stock Incentive Plan.

ITEM NO. 4

APPROVAL OF THE WD-40 COMPANY PERFORMANCE INCENTIVE COMPENSATION PLAN

On June 24, 2008, the Board of Directors adopted the WD-40 Performance Incentive Compensation Plan (the "Incentive Plan"). The Incentive Plan was first approved by the Company's stockholders at the Annual Meeting of Stockholders on December 9, 2008. The Board of Directors is now seeking stockholder re-approval of the Incentive Plan to allow bonuses paid under the Incentive Plan to continue to qualify as tax deductible "performance-based compensation" within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code").

By its terms, the Incentive Plan will remain in effect until August 31, 2014, or until such time as it is extended by re-approval by the stockholders or otherwise terminated by the Compensation Committee (the "Committee") of the Board of Directors. On June 19, 2012, the Board of Directors amended the Incentive Plan to extend its term and to provide for its termination on August 31, 2018. No other changes to the Incentive Plan were made by the Board of Directors by this amendment. The Board of Directors believes re-approval of the Incentive Plan at the same time as stockholders are being asked to approve the material terms of the performance goals under the WD-40 Company 2007 Stock Incentive Plan is appropriate since the reason for approval of each item is the same. It is anticipated that these matters will be submitted together for stockholder approval every five years as required by applicable regulations under Section 162(m) of the Code.

If the stockholders do not re-approve the Incentive Plan, the Incentive Plan will continue to remain effective through August 31, 2014 and performance-based compensation awards under the Incentive Plan for fiscal years through August 31, 2014 will continue to qualify for tax deductibility provided that all other requirements for tax deductibility under federal income tax law are satisfied. However, unless the Incentive Plan is re-approved by the stockholders prior to August 31, 2014, the entire amount of future performance-based incentive bonus compensation paid to certain of the NEOs may no longer qualify for a tax deduction under the Code as a result of the limitations imposed under Section 162(m).

Incentive Plan Summary

The following paragraphs provide a summary of the principal features of the Incentive Plan. This summary does not purport to be complete and is subject to, and qualified in its entirety by, the provisions of the Incentive Plan, which is attached to this proxy statement as Appendix A. Capitalized terms used herein and not defined shall have the same meanings as set forth in the Incentive Plan.

Purpose. The purpose of the Incentive Plan is to enhance the Company's ability to attract and retain highly qualified executives and provide such executives with additional financial incentives (referred to herein as "Awards") to promote the success of the Company and its Subsidiaries. Awards granted under the Incentive Plan are intended to qualify as "performance-based compensation" within the meaning of Section 162(m) of the Code.

Eligibility. Participation in the Incentive Plan is limited to corporate officers of the Company selected by the Committee to participate in the Incentive Plan (collectively "Participants"). The Participants are intended to include any officer determined to be a "covered employee" of the Company within the meaning of Section 162(m) of the Code. Although the Incentive Plan is limited to such corporate officers, the Company maintains a Performance Incentive Program for the payment of bonus compensation to all Company employees on substantially the same terms as are provided for in the Incentive Plan. The Incentive Plan is formalized to cover the corporate officer Participants and has been submitted to the stockholders for approval in order to qualify the Incentive Plan compensation paid to such Participants as tax deductible "performance-based compensation" within the meaning of Section 162(m) of the Code.

Administration. The Incentive Plan will be administered by the Compensation Committee of the Board of Directors. Except as otherwise provided by the Board of Directors and subject to applicable laws, the Committee has the full and final authority in its discretion to establish rules and take all actions determined by the Committee to be necessary in the administration of the Incentive Plan, including, without limitation, interpreting the terms of the Incentive Plan and any related documents, rules, or regulations and deciding all questions of fact arising in their application. All decisions, determinations and interpretations of the Committee are final, binding and conclusive on all persons, including the Company, its Subsidiaries, its stockholders, the Participants and their estates and beneficiaries.

Awards. Within 90 days after the commencement of each fiscal year, the Committee shall select the Participants to whom bonus compensation (an "Award") may be paid under the Incentive Plan and establish in writing (i) an objective Performance Goal or Goals for each Participant for the fiscal year based on one or more Performance Measures; (ii) the Award amounts to be paid to each Participant to the extent the specified Performance Goal or Goals are achieved (the "Target Award"); and (iii) establish the method by which the Target Award will be calculated.

Performance Measures. The Performance Goals established by the Committee for Participants are based on the relative achievement of one or more Performance Measures. The following measures may be selected as Performance Measures: total shareholder return, stock price, net customer sales, volume, gross profit, gross margin, operating profit, operating margin, management profit, earnings from continuing operations (including derivatives thereof before interest, taxes, depreciation and/or amortization), earnings per share from continuing operations, net operating profit after tax, net earnings, net earnings per share, brand contribution to earnings, return on assets, return on investment, return on equity, return on invested capital, cost of capital, average capital employed, cash value added, economic value added, cash flow, cash flow from operations, working capital, working capital as a percentage of net customer sales, asset growth, asset turnover, market share, customer satisfaction and employee satisfaction.

Performance Period. The period for measurement of relative achievement of the Performance Goals under the Incentive Plan is the Company's fiscal year and in order to receive the Target Award, a Participant must be employed by the Company or a Subsidiary on August 31 of the applicable fiscal year.

Maximum Award. The maximum Award that may be paid to any Participant under the Incentive Plan for any fiscal year is \$2 million.

Committee Certification. As soon as practicable after the end of each fiscal year, the Committee will determine the amount of the Awards to be paid to each Participant for the fiscal year based on the relative achievement of the Performance Goals established for each Participant. The Committee must certify such determination in writing.

Payment of Awards. All Awards will be paid in cash. Awards shall be paid to Participants following the Committee's certification no later than ninety (90) days after the close of the fiscal year.

Non-Transferability of Awards. Unless otherwise determined by the Committee, an Award granted under the Incentive Plan may not be sold, pledged, assigned, hypothecated, transferred or disposed of in any manner by any Participant. During the lifetime of the Participant, payment of an Award shall only be made to such Participant. The Committee may, however, establish procedures necessary for a Participant to designate a beneficiary to whom any amounts would be payable in the event of the Participant's death.

Amendment and Termination. The Committee may at any time suspend, revise, amend or terminate the Incentive Plan, in whole or in part, provided, however, that no amendment that requires stockholder approval in order to maintain qualification of the Awards as performance-based compensation under Section 162(m) of the Code shall be made without such approval. If changes are made to Section 162(m) of the Code or the related regulations that permit greater flexibility with respect to any Award, the Committee may make adjustments to the Incentive Plan and/or Awards as it deems appropriate.

Benefits to Be Received Upon Stockholder Approval. If the Incentive Plan is re-approved by the Company's stockholders, the Incentive Plan will continue to be effective through December 10, 2017. The Company's Performance Incentive Program applicable to all Company employees, including benefits provided under the Incentive Plan to the NEOs, is described in further detail in the Compensation Discussion and Analysis section of this proxy statement at pages 16 to 30. Information concerning Incentive Plan Awards granted to the NEOs for fiscal year 2012 is included in the Grants of Plan-Based Awards Table on page 34 of this proxy statement. Since stockholder approval of the Incentive Plan is only required to properly qualify performance-based bonus compensation for tax deductibility under Section 162(m) of the Code, no compensation benefits payable to the NEOs are dependent upon stockholder approval of the Incentive Plan.

Federal Income Tax Consequences

The following is a brief summary of the material U.S. federal income tax consequences associated with Awards granted under the Incentive Plan. The summary is based on existing

U.S. laws and regulations, and there can be no assurance that those laws and regulations will not change in the future. The summary does not purport to be complete and does not discuss the tax consequences upon a Participant's death, or the provisions of the income tax laws of any municipality, state or foreign country in which the Participant may reside.

Participants will recognize ordinary income equal to the amount of the Award received in the year of receipt. That income will be subject to applicable income and employment tax withholding by the Company. If and to the extent that the Incentive Plan payments satisfy the requirements of Section 162(m) of the Code and otherwise satisfy the requirements for tax deductibility under federal income tax law, the Company will receive a tax deduction for the amount constituting ordinary income to the Participant.

Vote Required and Board of Directors' Recommendation

The affirmative vote of a majority of the shares of common stock represented and entitled to vote at the Annual Meeting of Stockholders is required to re-approve the Incentive Plan. The persons designated in the form of proxy accompanying this proxy statement will vote your shares **FOR** approval unless you include instructions to the contrary. The Board of Directors urges stockholders to vote in favor of re-approval of the WD-40 Company Performance Incentive Compensation Plan.

AUDIT COMMITTEE REPORT

Each year the Board of Directors appoints an Audit Committee to fulfill regulatory requirements and to assist the Board in oversight of the Company's financial reporting, internal control functions and audit process. Each member of the Audit Committee meets the independence requirements set by the Nasdaq Stock Market.

The responsibilities of the Audit Committee include the selection and appointment of an independent registered public accounting firm to be hired as the Company's independent accountants. The Audit Committee is also responsible for recommending to the Board that the Company's consolidated financial statements be included in its annual report on Form 10-K.

With respect to the preparation and audit of the Company's consolidated financial statements, management is responsible for the preparation of the financial statements; the establishment of accounting and financial reporting principles; the establishment of disclosure controls and procedures; the establishment of internal control over financial reporting; the evaluation of the effectiveness of both disclosure controls and procedures and internal control over financial reporting; and the evaluation of changes in internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting. The Company's independent registered public accounting firm is responsible for performing an independent audit of the consolidated financial statements and expressing an opinion as to whether the consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

The Audit Committee has reviewed the consolidated financial statements of the Company for the fiscal year ended August 31, 2012. The Audit Committee has discussed the preparation of the consolidated financial statements with management and with the Company's independent

registered public accounting firm, PricewaterhouseCoopers LLP, and the Audit Committee has met separately with PricewaterhouseCoopers LLP and with management to discuss issues relating to the preparation and audit of the financial statements.

For the fiscal year ended August 31, 2012, management has completed the documentation, testing and evaluation of the Company's system of internal control over financial reporting as required by Section 404 of the Sarbanes-Oxley Act of 2002. The Audit Committee has been kept apprised of management's activities in the completion of such work and evaluation and the Audit Committee has provided oversight and advice with respect to the process undertaken by management. The Audit Committee will continue to oversee such work being undertaken by the Company for the fiscal year ending August 31, 2013.

The Audit Committee has taken the following steps in making its recommendation that the Company's consolidated financial statements be included in its annual report on Form 10-K for the fiscal year ended August 31, 2012:

1. At regularly scheduled meetings of the Audit Committee, management and PricewaterhouseCoopers LLP provided periodic reports as to the work undertaken by the Company to complete the documentation, testing and evaluation of the Company's system of internal control over financial reporting. Upon completion of such work and upon preparation of the Company's consolidated financial statements for the year ended August 31, 2012, the Audit Committee reviewed a report provided by management on the effectiveness of the Company's internal control over financial reporting;
2. The Audit Committee discussed with PricewaterhouseCoopers LLP, the Company's independent registered public accounting firm for the fiscal year ended August 31, 2012, those matters required to be discussed by Statement on Auditing Standards No. 61 and Public Company Accounting Oversight Board Auditing Standard No. 2, including information concerning the scope and results of the audit. These communications and discussions are intended to assist the Audit Committee in overseeing the financial reporting and disclosure process;
3. The Audit Committee discussed with PricewaterhouseCoopers LLP its independence and received from PricewaterhouseCoopers LLP a letter concerning independence as required under applicable independence standards for auditors of public companies. This discussion and disclosure helped the Audit Committee in evaluating such independence;
4. The Audit Committee reviewed and discussed with the Company's management and PricewaterhouseCoopers LLP the Company's audited consolidated balance sheet at August 31, 2012, and the related consolidated statements of operations, of shareholders' equity and comprehensive income and of cash flows for the fiscal year ended August 31, 2012; and
5. The Audit Committee has reviewed PricewaterhouseCoopers LLP's Report of Independent Registered Public Accounting Firm and Management's Report on Internal Control over Financial Reporting included in the Company's annual report on Form 10-K for the fiscal year ended August 31, 2012.

Based on the reviews and discussions explained above, the Audit Committee recommended to the Board that the Company's consolidated financial statements be included in its annual report on Form 10-K for its fiscal year ended August 31, 2012. PricewaterhouseCoopers LLP has been selected to serve as the Company's independent registered public accounting firm for the fiscal year ending August 31, 2013.

Giles H. Bateman (Chairman)
Richard A. Collato
Gregory A. Sandfort
Neal E. Schmale

ITEM NO. 5

RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee of the Board of Directors has appointed PricewaterhouseCoopers LLP as the independent registered public accounting firm for the Company to audit the consolidated financial statements of the Company for fiscal year 2013. Although ratification by stockholders is not required by law, the Audit Committee has determined that it is desirable to request ratification of this selection by the stockholders. Notwithstanding its selection, the Audit Committee, in its discretion, may appoint a new independent registered public accounting firm at any time during the year if the Audit Committee believes that such a change would be in the best interests of the Company and its stockholders. If the stockholders do not ratify the appointment of PricewaterhouseCoopers LLP, the Audit Committee may reconsider its selection.

A majority of the votes of the common stock present or represented at the meeting is required for approval. Broker non-votes will be voted in favor of approval. PricewaterhouseCoopers LLP acted as the Company's independent registered public accounting firm during the past fiscal year and, unless the Audit Committee appoints new independent accountants, PricewaterhouseCoopers LLP will continue to act in such capacity during the current fiscal year. It is anticipated that a representative of Pricewaterhouse-Coopers LLP will attend the Annual Meeting of Stockholders, will have an opportunity to make a statement if he or she desires to do so and will be available to respond to appropriate questions.

The Audit Committee's policy is to pre-approve all audit and permissible non-audit products and services provided by the independent registered public accounting firm. These products and services may include audit services, audit-related services, tax services, software and other products or services. Pre-approval is generally provided for up to one year and any pre-approval is detailed as to the particular service or category of services and is generally subject to a specific budget. The independent accountants and management are required to periodically report to the Audit Committee regarding the extent of services provided by the independent public accountants in accordance with this pre-approval, and the fees for the services performed to date. The Audit Committee may also pre-approve particular services on a case-by-case basis. The possible effect on the independence of the public accountants is

considered by the Audit Committee. There is no direct or indirect understanding or agreement that places a limit on current or future years' audit fees or permissible non-audit product and services.

Audit Fees

PricewaterhouseCoopers LLP has provided audit services to the Company for each of the past two fiscal years. Audit fees consist of fees for professional services rendered for the audit of the Company's consolidated annual financial statements, the review of the interim consolidated financial statements included in quarterly reports and services that are normally provided by PricewaterhouseCoopers LLP in connection with statutory and regulatory filings or engagements. The aggregate fees billed to the Company by PricewaterhouseCoopers LLP for audit services performed for the Company for the past two fiscal years were \$655,458 for the year ended August 31, 2011 and \$677,622 for the year ended August 31, 2012.

Audit-Related Fees

Audit-related services consist of assurance and related services that are reasonably related to the performance of the audit or review of the Company's consolidated financial statements and are not reported under "Audit Fees." No such audit-related services were performed by PricewaterhouseCoopers LLP or billed to the Company for the year ended August 31, 2011 or the year ended August 31, 2012.

Tax Fees

Tax fees consist of tax compliance, tax advice, tax consulting or tax planning services provided by PricewaterhouseCoopers LLP to the Company. The aggregate fees billed to the Company by PricewaterhouseCoopers LLP for international tax planning services were \$8,848 for the year ended August 31, 2011. The aggregate fees billed to date to the Company by PricewaterhouseCoopers LLP in connection with intercompany transfer pricing consulting services were \$40,000 for the year ended August 31, 2012.

All Other Fees

Other fees for services provided by PricewaterhouseCoopers LLP for fiscal years 2011 and 2012 consisted of fees for access provided by PricewaterhouseCoopers LLP to its online research reference materials. The aggregate fees billed to the Company by PricewaterhouseCoopers LLP for other services performed for the Company were \$1,800 for both the year ended August 31, 2011 and for the year ended August 31, 2012.

STOCKHOLDER PROPOSALS

Stockholder proposals must be received by the Company no sooner than May 6, 2013 and not later than July 5, 2013 to be included in the Proxy Statement and form of Proxy for the next annual meeting. Any proposal submitted outside of these dates will be considered untimely in order to be considered at the Company's 2013 Annual Meeting of Stockholders in accordance with the Company's Bylaws.

By Order of the Board of Directors
Maria M. Mitchell
Secretary

Dated: November 1, 2012

**IT IS IMPORTANT THAT PROXIES BE RETURNED PROMPTLY. THEREFORE,
STOCKHOLDERS ARE URGED TO FILL IN, SIGN AND RETURN THE
ACCOMPANYING FORM OR FORMS OF PROXY IN THE ENCLOSED ENVELOPE.**

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APPENDIX A
WD-40 COMPANY
AMENDED AND RESTATED
PERFORMANCE INCENTIVE COMPENSATION PLAN

1. *Purpose.* The purpose of The WD-40 Company Performance Incentive Compensation Plan (the “Plan”) is to provide an incentive for corporate officers and to recognize and reward those officers. The Company’s executive officers are eligible to earn short-term incentive awards under this Plan.

2. *Definitions.* The following terms will have the following meaning for purposes of the Plan:

(a) “Award” means a bonus paid in Cash as provided for under Section 4(a) of the Plan.

(b) “Board” means the Board of Directors of the Company.

(c) “Code” means the Internal Revenue Code of 1986, as amended.

(d) “Committee” means the Compensation Committee of the Board, or such other Committee designated by the Board to administer the Plan provided that the Committee shall consist of two or more persons, each of whom is an “outside director” within the meaning of Section 162(m) of the Code.

(e) “Company” means WD-40 Company, a Delaware corporation.

(f) “Participant” means a corporate officer of the Company or a Subsidiary selected by the Committee to participate in the Plan.

(g) “Performance Measure” means the following measures of performance: total shareholder return, Stock price, net customer sales, volume, gross profit, gross margin, operating profit, operating margin, management profit, earnings from continuing operations (including derivatives thereof before interest, taxes, depreciation and/or amortization), earnings per share from continuing operations, net operating profit after tax, net earnings, net earnings per share, brand contribution to earnings, return on assets, return on investment, return on equity, return on invested capital, cost of capital, average capital employed, cash value added, economic value added, cash flow, cash flow from operations, working capital, working capital as a percentage of net customer sales, asset growth, asset turnover, market share, customer satisfaction, and employee satisfaction.

A Performance Measure may be applied by the Committee as a measure of the performance of any, all, or any combination of the following: the Company, a Subsidiary, an operating segment, a division or other reporting unit of the Company or a Subsidiary, or of one or more brands or product lines of the Company or a Subsidiary.

(h) “Performance Goal(s)” means the goal or goals established for a Participant by the Committee in accordance with Section 4(a).

(i) "Stock" means the Company's \$.001 par value common stock.

(j) "Subsidiary" means any corporation in which the Company, directly or indirectly, controls 50 percent or more of the total combined voting power of all classes of stock.

(k) "Target Award" means the maximum amount of the Award established for each Participant by the Committee in accordance with Section 4(a).

(l) "Year" means a fiscal year of the Company commencing on September 1.

3. *Term.* The Plan shall be effective for as of September 1, 2009 and shall continue until August 31, 2018 unless re-approved by the Company's stockholders or unless amended or terminated pursuant to Section 9 hereof.

4. *Awards.*

(a) Within 90 days after the beginning of each Year, the Committee will select Participants for the Year and establish in writing (i) an objective Performance Goal or Goals for each Participant for that Year based on one or more of the Performance Measures, (ii) the specific Award amounts that will be paid to each Participant to the extent his or her Performance Goal or Goals are achieved (the "Target Award") and (iii) the method by which such amounts will be calculated. The Target Award may provide for payment of all or part of the Target Award in the case of retirement, death, disability or change of ownership or control of the Company or a Subsidiary during the Year, but only to the extent that the Target Award would otherwise be payable to the Participant based on the achievement of the Performance Goal(s) for the Participant for such Year.

(b) The maximum Award that may be paid to any Participant under the Plan for any Year will be \$2 million.

(c) The Committee may reduce or eliminate, but may not increase, any Award calculated under the methodology established in accordance with subsection (a) in order to reflect additional considerations relating to performance.

(d) As soon as practicable following each Year while the Plan is in effect, the Committee shall determine and certify, for each Participant, the extent to which the Performance Goal or Goals have been met and the amount of the Award, if any, to be made. Awards will be paid to the Participants following such certification by the Committee and no later than ninety (90) days following the close of the Year with respect to which the Awards are made.

(e) The Company shall withhold from the payment of any Award hereunder any amount required to be withheld for taxes.

5. *Termination of Employment.* Except as may be specifically provided in an Award pursuant to Section 4(a), a Participant shall have no right to an Award under the Plan for any Year in which the Participant is not actively employed by the Company or its Subsidiaries on August 31 of such Year. In establishing Target Awards, the Committee may also provide that in the event a Participant is not employed by the Company or its Subsidiaries on the date on which the Committee certifies the amount of the Award, the Participant may forfeit his or her right to the Award to be paid under the Plan.

6. *Administration.* The Plan will be administered by the Committee. The Committee will have the authority to interpret the Plan, to prescribe rules relating to the Plan and to make all determinations necessary or advisable in administering the Plan. Decisions of the Committee with respect to the Plan will be final and conclusive.

7. *Unfunded Plan.* Awards under the Plan will be paid from the general assets of the Company, and the rights of Participants under the Plan will be only those of general unsecured creditors of the Company.

8. *Code Section 162(m).* It is the intent of the Company that all Awards under the Plan qualify as performance-based compensation for purposes of Code Section 162(m)(4)(C) so that the Company's tax deduction for such Awards is not disallowed in whole or in part under Code Section 162(m). The Plan is to be applied and interpreted accordingly.

9. *Amendment or Termination of the Plan.* The Committee may from time to time suspend, revise, amend or terminate the Plan; provided that any such amendment or revision which requires approval of the Company's stockholders in order to maintain the qualification of Awards as performance-based compensation pursuant to Code Section 162(m)(4)(C) shall not be made without such approval.

10. *Applicable Law.* The Plan will be governed by the laws of California.

11. *No Rights to Employment.* Nothing contained in the Plan shall give any person the right to be retained in the employment of the Company or any of its Subsidiaries. Subject to any employment agreement or other contract between the Company and a Participant, the Company reserves the right to terminate the employment of any Participant at any time for any reason notwithstanding the existence of the Plan.

12. *No Assignment.* Except as otherwise required by applicable law, any interest, benefit, payment, claim or right of any Participant under the Plan shall not be sold, transferred, assigned, pledged, encumbered or hypothecated by any Participant and shall not be subject in any manner to any claims of any creditor of any Participant or beneficiary, and any attempt to take any such action shall be null and void. During the lifetime of any Participant, payment of an Award shall only be made to such Participant. Notwithstanding the foregoing, the Committee may establish such procedures as it deems necessary for a Participant to designate a beneficiary to whom any amounts would be payable in the event of any Participant's death.

13. *Stockholder Approval.* This Plan shall be approved by a vote of the stockholders of the Company at the 2012 Annual Meeting.

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549
FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the fiscal year ended August 31, 2012

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the transition period from _____ to _____.

Commission File Number: 000-06936

WD-40 COMPANY

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation or organization)

95-1797918
(I.R.S. Employer
Identification No.)

1061 Cudahy Place, San Diego, California
(Address of principal executive offices)

92110
(Zip code)

Registrant's telephone number, including area code: (619) 275-1400

Securities registered pursuant to Section 12(b) of the Act:

Title of each class

Name of each exchange on which registered

Common Stock, \$0.001 par value

The NASDAQ Stock Market, LLC

Securities registered pursuant to Section 12(g) of the Act:

Title of each class

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐ Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value (closing price) of the voting stock held by non-affiliates of the registrant as of February 29, 2012 was approximately \$640,924,854.

As of October 15, 2012, there were 15,715,835 shares of the registrant's common stock outstanding.

Documents Incorporated by Reference:

The Proxy Statement for the annual meeting of stockholders on December 11, 2012 is incorporated by reference into Part III, Items 10 through 14 of this Annual Report on Form 10-K.

WD-40 COMPANY
ANNUAL REPORT ON FORM 10-K
For the
Fiscal Year Ended August 31, 2012
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PART I

This Annual Report on Form 10-K contains forward-looking statements within the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995. All statements other than those that are purely historical are forward-looking statements which reflect the Company’s current views with respect to future events and financial performance.

These forward-looking statements are subject to certain risks and uncertainties. The words “aim,” “believe,” “expect,” “anticipate,” “intend,” “estimate” and other expressions that indicate future events and trends identify forward-looking statements. These statements include, but are not limited to, references to the near-term growth expectations for multi-purpose maintenance products and homecare and cleaning products, the impact of changes in product distribution, competition for shelf space, the impact of competition on product pricing, the level of promotional and advertising spending, plans for and success of product innovation, the impact of new product introductions on the growth of sales, the impact of customer mix and costs of raw materials, components and finished goods costs on gross margins, the impact of promotional programs on sales, the rate of sales growth in the Asia-Pacific segment, direct European countries and Eastern and Northern Europe, foreign currency exchange rates and fluctuations in those rates, the impact of changes in inventory management, the effect of future income tax provisions and audit outcomes on tax rates, and the effects of, and changes in, worldwide economic conditions and legal proceedings and other risk factors identified in Item 1A of this report. The Company undertakes no obligation to revise or update any forward-looking statements.

As used in this report, the terms “we,” “our,” “us” and “the Company” refer to WD-40 Company and its wholly-owned subsidiaries, unless the context suggests otherwise. Amounts and percents in tables and discussions may not total due to rounding.

Item 1. Business

Overview

WD-40 Company is a global consumer products company dedicated to delivering unique, high value and easy-to-use solutions for a wide variety of maintenance needs of “doer” and “on-the-job” users by leveraging and building the brand fortress of the Company. The Company was founded in 1953 and its headquarters are located in San Diego, California. For more than four decades, the Company sold only one product, WD-40®, a multi-purpose maintenance product which acts as a lubricant, rust preventative, penetrant, cleaner and moisture displacer. Over the years, the Company has further developed the WD-40 brand and acquired several brands worldwide, many of which have been homecare and cleaning product brands, in order to build a fortress of brands that deliver a unique high value to end users. In addition, some of these brand acquisitions have provided the Company with access to existing distribution channels for other of its existing brands and have also provided the Company with economies of scale in areas such as sales, manufacturing and administration. The Company’s acquisitions include the following:

- 3-IN-ONE® brand of general purpose and specialty maintenance products in fiscal year 1996;
- Lava® brand of heavy-duty hand cleaners in fiscal year 1999;
- 2000 Flushes® automatic toilet bowl cleaners, X-14® automatic toilet bowl cleaners and Carpet Fresh® rug and room deodorizers, all of which were associated with the Global Household Brands acquisition, and Solvol® brand of heavy-duty hand cleaners in Australia in fiscal year 2001;
- Spot Shot® brand, whose primary product was a carpet stain remover; in fiscal year 2002; and
- 1001® line of carpet and household cleaners in the United Kingdom (“U.K.”) in fiscal year 2004.

The Company is focused on and committed to innovation and renovation of its products. The Company sees innovation and renovation as important factors to the long-term growth of its brands, and it intends to continue to work on future product, packaging and promotional innovations and renovations. The Company is also focused

on expanding its current brands in existing markets with new product development. The Company's product development team, Team Tomorrow, supports new product development and current product improvement for the Company's brands. Since its inception in fiscal year 2003, Team Tomorrow has made an innovation impact on most of the Company's brands. Key innovations for the Company's products include, but are not limited to, WD-40 Smart Straw®, WD-40 Trigger Pro®, 3-IN-ONE Professional Garage Door Lube™, Spot Shot Pet Clean™ which is a non-aerosol Spot Shot trigger product, Blue Works® product line, and a mildew stain remover under the X-14 brand. In addition, the Company launched a new WD-40 Specialist® product line, which consists of certain specialty maintenance products aimed at an expanded group of end users that currently uses WD-40 multi-use product, during fiscal year 2011. The Company also formed WD-40 Bike Company LLC, a new business unit focused on the development of a comprehensive line of bicycle maintenance products for cyclists and mechanics, during the fourth quarter of fiscal year 2012. The Company will start to launch certain products in the WD-40 Bike™ product line in the United States ("U.S.") during the first quarter of fiscal year 2013.

The Company's core strategic initiatives and the areas where it will continue to focus its time, talent and resources in future periods include: (i) maximizing the WD-40 brand through geographic expansion and market penetration; (ii) becoming the global leader in the Company's product categories within our prioritized platforms; (iii) developing strategic business relationships; (iv) pursuing global innovation efforts; and (v) attracting, developing and retaining people.

The Company's brands are sold in various locations around the world. Multi-purpose maintenance products are sold worldwide in markets throughout North, Central and South America, Asia, Australia and the Pacific Rim, Europe, the Middle East and Africa. Homecare and cleaning products are sold primarily in North America, the U.K., Australia and the Pacific Rim.

Financial Information about Operating Segments

The Company's operating segments are determined consistent with the way management organizes and evaluates financial information internally for making operating decisions and assessing performance. The Company is organized on the basis of geographical area into the following segments: the Americas, Europe and Asia-Pacific.

The Company's management reviews product performance on the basis of sales, which comes from its two product lines – multi-purpose maintenance products and homecare and cleaning products. The Company sells its products primarily through mass retail and home center stores, warehouse club stores, grocery stores, hardware stores, automotive parts outlets and industrial distributors and suppliers. The financial information required by this item is included in Note 16 – Business Segments and Foreign Operations of the Company's consolidated financial statements, included in Item 15 of this report, and in "Management's Discussion and Analysis of Financial Condition and Results of Operations", included in Item 7 of this report.

Products

Multi-Purpose Maintenance Products

The WD-40 brand is a market leader among multi-purpose maintenance products and is sold as an aerosol spray, a non-aerosol trigger spray and in liquid form through mass retail stores, hardware stores, warehouse club stores, automotive parts outlets and industrial distributors and suppliers. WD-40 products are sold worldwide in markets such as North, Central and South America, Asia, Australia and the Pacific Rim, Europe, the Middle East and Africa. WD-40 products have a wide variety of consumer uses in, for example, household, marine, automotive, construction, repair, sporting goods and gardening applications, in addition to numerous industrial applications.

The 3-IN-ONE brand consists of multi-purpose drip oil and spray lubricant products, as well as other specialty maintenance products. The drip oil is an entry-level lubricant with unique spout options that allow precise applications for small mechanisms and assemblies, tool maintenance and threads on screws and bolts. 3-IN-ONE

Oil is the market share leader among drip oils for household consumers. It also has wide industrial applications in such areas as locksmithing, HVAC, marine, farming, construction and jewelry manufacturing. In addition to the drip oil line of products, the 3-IN-ONE brand also includes a professional line of products known as 3-IN-ONE Professional, which is a line of high quality, great value multi-purpose maintenance products. The high quality of the 3-IN-ONE brand and its established distribution network have enabled these products to gain international acceptance. 3-IN-ONE products are sold primarily in the U.S., Europe, Canada, Latin America, Australia and Asia.

The Blue Works brand consists of a line of industrial grade, specialty maintenance products that include lubricants, penetrants, degreasers and cleaners designed specifically for the needs of industrial users. Blue Works products were launched in the U.S. during the second quarter of fiscal year 2010 and in selected markets in Europe in early fiscal year 2011 and are currently sold through the industrial channel. This industrial channel represents a smaller market and experiences slower growth with different sales cycles than do other distribution channels where the Company currently sells its products. Since there is end user overlap between users of Blue Works products and users of the WD-40 Specialist products, it is possible that over time end users will choose WD-40 Specialist over Blue Works.

WD-40 Specialist consists of a line of best-in-class performing specialty problem solving products that include penetrants, water resistant silicone sprays, corrosion inhibitors and rust removers that are aimed at an expanded group of end users that currently uses WD-40 multi-use product. The Company launched the first three products in this line in the U.S. during September 2011 and certain products in the line in Canada and select markets in Europe in January 2012 using the same established distribution channels where the Company currently sells its existing products.

WD-40 Bike Company LLC is a new business unit that the Company has recently formed as part of its focus on global innovation. The WD-40 Bike product line consists of a comprehensive line of bicycle maintenance products that include wet and dry chain lubricants, heavy-duty degreasers, foaming bike wash and frame protectants that are designed specifically for the avid cyclist, bike enthusiasts and mechanics. The Company will start to launch certain products in this line during the first quarter of fiscal year 2013 through a network of bike shops and sport retailers across the United States.

Homecare and Cleaning Products

The X-14 brand is a line of quality products designed for unique cleaning needs. X-14 is sold as a liquid mildew stain remover and two types of automatic toilet bowl cleaners. X-14 is sold primarily in the U.S. through grocery and mass retail channels.

The 2000 Flushes brand is a line of long-lasting automatic toilet bowl cleaners which includes a variety of formulas. 2000 Flushes is sold primarily in the U.S. and Canada through grocery and mass retail channels.

The Carpet Fresh brand is a line of room and rug deodorizers sold as powder, aerosol foam and trigger spray products. Carpet Fresh is sold primarily through grocery and mass retail channels in the U.S., U.K. and Australia. In the U.K., Carpet Fresh is sold under the 1001 brand name. In Australia, Carpet Fresh is sold under the No Vac brand name.

The Spot Shot brand is sold as an aerosol carpet stain remover and a liquid trigger carpet stain and odor eliminator. The brand also includes environmentally friendly products such as Spot Shot Instant Carpet Stain & Odor Eliminator™ and Spot Shot Pet Clean, which are non-toxic and biodegradable. Spot Shot products are sold primarily through grocery and mass retail channels, warehouse club stores and hardware and home center stores in the U.S. and Canada. Spot Shot products are also sold in the U.K. under the 1001 brand name.

The 1001 brand includes carpet and household cleaners and rug and room deodorizers which are sold primarily through mass retail, grocery and home center stores in the U.K. The brand was acquired to introduce the Company's other homecare and cleaning product formulations under the 1001 brand in order to expand the Company's homecare and cleaning products business into the U.K. market.

The Lava and Solvol brands consist of heavy-duty hand cleaner products which are sold in bar soap and liquid form through hardware, grocery, industrial, automotive and mass retail channels. Lava is sold primarily in the U.S., while Solvol is sold exclusively in Australia.

Financial information about operating segments and product lines is included in Note 16 – Business Segments and Foreign Operations of the consolidated financial statements, included in Item 15 of this report.

Sales and Marketing

The Company's sales do not reflect any significant degree of seasonality. However, it is common for the Company's sales to fluctuate from period to period or year to year due to various factors, including but not limited to new or lost distribution, the number of product offerings carried by a customer and the level of promotional activities and programs being run at customer locations. New or lost distribution occurs when the Company gains or loses customers, it gains or loses store count for a customer or its products are added to new locations within a store or removed from existing locations. From time to time, as part of new product offering launches, the Company may gain access to entirely new distribution channels. The number of product offerings refers to the number of brands and/or the number of products within each of those brands that the Company's customers offer for sale to end user customers. The level of promotional activities and programs relates to the number of events or volumes of purchases by customers in support of off-shelf or promotional display activities. Changes in any one of these three factors or a combination of them can cause the Company's sales levels to increase or decrease from period to period. It is also common and/or possible that the Company could lose distribution or product offerings and experience a decrease in promotional activities and programs in one period and subsequently regain this business in a future period. The Company is accustomed to such fluctuations and manages this as part of its normal business activities.

Sources and Availability of Components and Raw Materials

The Company relies on a limited number of suppliers, including single or sole suppliers, for certain of its raw materials, packaging, product components and other necessary supplies. The Company's primary components and raw materials include aerosol cans and petroleum-based products, which are manufactured from commodities that are subject to volatile price changes. The availability of these components and raw materials is affected by a variety of supply and demand factors, including global market trends, plant capacity decisions and natural disasters. The Company expects these components and raw materials to continue to be readily available in the future, although the Company will continue to be exposed to volatile price changes.

Research and Development

The Company recognizes the importance of innovation and renovation to its long-term success and is focused on and committed to research and new product development activities. The Company's product development team, Team Tomorrow, engages in consumer research, product development, current product improvement and testing activities, and also leverages its development capabilities by partnering with a network of outside resources including the Company's current and prospective outsource suppliers. In addition, Team Tomorrow engages in activities and product development efforts which are necessary to ensure that the Company meets all regulatory requirements for the formulation of its products. The Company incurred research and development expenses of \$5.1 million, \$5.5 million and \$5.3 million in fiscal years 2012, 2011 and 2010, respectively. None of this research and development activity was customer-sponsored.

Manufacturing

The Company outsources directly or through its marketing distributors the manufacturing of its finished products to various third-party contract manufacturers. The Company or its marketing distributors use contract manufacturers in the United States, Canada, Mexico, Brazil, Argentina, Columbia, the U.K., Australia, Japan, China, South Korea and India. Although the Company does not typically have definitive minimum purchase

obligations included in the contract terms with its contract manufacturers, when such obligations have been included, they have been immaterial to date. Supply needs are communicated by the Company to its contract manufacturers, and the Company is committed to purchase the products manufactured based on orders and short-term projections, ranging from two to five months, provided to the contract manufacturers. The Company also formulates and manufactures concentrate used in its WD-40 products at its own facilities and at third-party contract manufacturers.

In addition to the commitments to purchase products from contract manufacturers described above, the Company may also enter into commitments with other manufacturers from time to time to purchase finished goods and components to support innovation initiatives and/or supply chain initiatives.

Order Backlog

Order backlog is not a significant factor in the Company's business.

Competition

The markets for the Company's products, particularly those related to its homecare and cleaning products, are highly competitive. The Company's products compete both within their own product classes as well as within product distribution channels, competing with many other products for store placement and shelf space. Competition in international markets varies by country. The Company is aware of many competing products, some of which sell for lower prices or are produced and marketed by companies with greater financial resources than those of the Company. The Company relies on the awareness of its brands among consumers, the value offered by those brands as perceived by consumers, product innovation and renovation and its multiple channel distributions as its primary strategies. New products typically encounter intense competition, which may require advertising and promotional support and activities. When or if a new product achieves consumer acceptance, ongoing advertising and promotional support may be required to maintain its relative market position.

Trademarks and Patents

The Company owns numerous patents, but relies primarily upon its established trademarks, brand names and marketing efforts, including advertising and sales promotion, to compete effectively. The WD-40, 3-IN-ONE, Blue Works, WD-40 Specialist, Lava, Solvol, X-14, 2000 Flushes, Carpet Fresh and No Vac, Spot Shot and 1001 trademarks are registered or have pending registration in various countries throughout the world.

Employees

At August 31, 2012, the Company employed 347 people worldwide: 152 by the United States parent corporation (including 5 of whom are based in the Malaysia regional office); 10 by the Canada subsidiary; 127 by the U.K. subsidiary (including 57 in the U.K., 23 in Germany, 22 in France, 16 in Spain and 9 in Italy); 16 by the Australia subsidiary; 40 by the China subsidiary; and 2 by WD-40 Manufacturing Company, the Company's manufacturing subsidiary.

Financial Information about Foreign and Domestic Operations

For detailed information about the Company's foreign and domestic operations, including net sales and total assets by reportable segment and long-lived assets by geography, refer to Note 16 – Business Segments and Foreign Operations of the consolidated financial statements, included in Item 15 of this report.

Access to SEC Filings

The Company's Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, are available through the Investors section of the Company's website at

www.wd40company.com. These reports can be accessed free of charge from the Company's website as soon as reasonably practicable after the Company electronically files such materials with, or furnishes them to, the Securities and Exchange Commission ("SEC"). Information contained on the Company's website is not included as a part of, or incorporated by reference into, this report.

Interested readers may also read and copy any materials that the Company files at the SEC Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Readers may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an internet site (www.sec.gov) that contains the Company's reports.

Item 1A. Risk Factors

The following risks and uncertainties, as well as other factors described elsewhere in this report or in other SEC filings by the Company, could adversely affect the Company's business, financial condition and results of operations.

The Company's financial results could suffer if the Company is unable to implement and successfully manage its core strategic initiatives or if the Company's core strategic initiatives do not achieve the intended results.

There is no assurance that the Company will be able to implement and successfully manage its core strategic initiatives, including its five major strategic initiatives, or that the core strategic initiatives will achieve the intended results, which include sales volume growth. The Company's five major strategic initiatives include: (i) maximizing the WD-40 brand through geographic expansion and market penetration; (ii) becoming the global leader in the Company's product categories within its prioritized platforms; (iii) developing strategic business relationships; (iv) pursuing global innovation efforts; and (v) attracting, developing and retaining people. If the Company is unable to implement and successfully manage its core strategic initiatives in accordance with its business plans, the Company's business and financial results could be adversely affected. Moreover, the Company cannot be certain that implementation of its core strategic initiatives will necessarily advance its business or financial results as intended.

Cost increases in finished goods, components, raw materials, transportation and other necessary supplies or services could harm the Company's financial condition and results of operations.

Increases in the cost of finished goods, components and raw materials and increases in the cost of transportation and other necessary supplies or services may harm the Company's financial condition and results of operations. Petroleum-based products and aerosol cans, which constitute a significant portion of the costs for many of the Company's products, have experienced significant price volatility in the past, and may continue to do so in the future. Fluctuations in oil and diesel fuel prices have also impacted the Company's cost of transporting its products. As component and raw material costs are the principal contributors to the cost of goods sold for all of the Company's products, any significant fluctuation in the costs of components and raw materials could have a material impact on the gross margins realized on the Company's products. Specifically, the costs of petroleum-based materials, which are included in many of the Company's products, are exposed to fluctuations resulting from the increase in the cost of petroleum and there has been significant volatility in such costs in recent years. In the event there is significant volatility in the Company's cost of goods or increases in raw material and/or component costs or the costs of transportation and other necessary supplies or services, the Company may not be able to maintain its gross margins if it chooses not to raise its product sales prices. Should the Company choose to increase product sales prices to offset cost increases, such increases may adversely affect demand and unit sales. Sustained increases in the cost of raw materials, components, transportation and other necessary supplies or services, or significant volatility in such costs, could have a material adverse effect on the Company's financial condition and results of operations.

Reliance on a limited base of third-party contract manufacturers, logistics providers and suppliers of raw materials and components may result in disruption to the Company's business and this could adversely affect the Company's financial condition and results of operations.

The Company relies on a limited number of third-party contract manufacturers, logistics providers and suppliers, including single or sole source suppliers for certain of its raw materials, packaging, product components and other necessary supplies. The Company does not have direct control over the management or business of these third parties, except indirectly through terms negotiated in service or supply contracts. Should the terms of doing business with the Company's primary third-party contract manufacturers, suppliers and/or logistics providers change or should the Company have a disagreement with or be unable to maintain relationships with such third parties or should such third parties experience financial difficulties, the Company's business may be disrupted. In early fiscal year 2012, the Company started a project to redesign its supply chain architecture in North America. This project includes the consolidation of the Company's third-party contract manufacturers and a restructuring of the Company's distribution center network. Once fully integrated, the Company expects this redesign to result in overall cost savings within the supply chain network and improved service to its customers. Although this project has progressed well to date, the Company has incurred certain transition costs, primarily related to freight and warehousing costs, and it is still in the process of completing the implementation and transition to this new supply chain architecture. If the Company experiences difficulties with the final stages of implementing this project or if it has difficulties in managing such changes in future periods, the Company's business may be adversely affected. Disruptions in the Company's supply chain and related contract relationships could have an adverse effect on the Company's business, financial condition and results of operations. In addition, if the Company is unable to contract with third-party manufacturers or suppliers for the quantity and quality levels needed for its business, the Company could experience disruptions in production and its financial results could be adversely affected.

Global economic conditions may negatively impact the Company's financial condition and results of operations.

A general weakening or decline in the global economy or a reduction in business or consumer spending or confidence could delay or significantly decrease purchases of the Company's products by its customers, including mass retail and home center stores, warehouse club stores, grocery stores, hardware stores, automotive parts outlets and industrial distributors and suppliers. Consumer purchases of discretionary items, which could include the Company's multi-purpose maintenance products and homecare and cleaning products, may decline during periods where disposable income is reduced or there is economic uncertainty, and this may negatively impact the Company's financial condition and results of operations. In addition, during unfavorable or uncertain economic times, consumers may increase purchases of lower-priced or non-branded products and the Company's competitors may increase their level of promotional activities to maintain sales volumes, both of which may negatively impact the Company's financial condition and results of operations.

The Company's sales and operating results may be affected by uncertain or changing economic and market conditions, including inflation, deflation, prolonged weak consumer demand or other changes which may affect the principal markets in which the Company conducts its business. If economic or market conditions in the United States or other key global markets deteriorate, the Company may experience material adverse effects on its business, financial condition and results of operations. The global economy experienced a recession beginning in calendar year 2008 and the pace of recovery from that recession has been slow. In recent years, the banking system and financial markets have experienced disruptions, including among other things, bank failures and consolidations, diminished liquidity and credit availability and rating downgrades. In addition, the current political and economic environment has resulted in continued economic unpredictability, particularly in Europe where there are concerns regarding the increased sovereign debt levels in several countries and the inability of some of those countries to meet future financial obligations, and the associated overall volatility of the Euro currency. Although these factors are outside of the Company's control, they directly affect its business. The slow pace of economic recovery or any new economic downturn or recession could cause the Company's customers to delay or significantly decrease their purchases, which could reduce the Company's future sales and negatively impact its results of operations and cash flows.

Adverse economic and market conditions could also harm the Company's business by negatively affecting the parties with whom it does business, including its customers, retailers, distributors and wholesalers, and third-party contract manufacturers and suppliers. These conditions could impair the ability of the Company's customers to pay for products they have purchased from the Company. As a result, allowances for doubtful accounts and write-offs of accounts receivable from the Company's customers may increase. In addition, the Company's third-party contract manufacturers and its suppliers may experience financial difficulties that could negatively affect their operations and their ability to supply the Company with finished goods and the raw materials, packaging, and components required for the Company's products.

The Company faces significant competition in its markets which could lead to reduced profitability.

The Company faces significant competition from other consumer products companies, both in the U.S. and in other global markets. Many of the Company's products, particularly its homecare and cleaning products, compete with other widely advertised brands within each product category and with "private label" brands and "generic" non-branded products of the Company's customers in certain categories, which are typically sold at lower prices. The Company also encounters competition from similar and alternative products, many of which are produced and marketed by major national or multinational companies. In addition, from time to time the Company discovers products in the marketplace that are counterfeit reproductions of its products. The availability of counterfeits of the Company's products, particularly in China, could adversely impact the Company's sales and potentially damage the value and reputation of its brands.

The Company's products generally compete on the basis of product performance, brand recognition, price, quality or other benefits to consumers. Advertising, promotions, merchandising and packaging also have a significant impact on consumer purchasing decisions. A newly introduced consumer product, whether improved or recently developed, usually encounters intense competition requiring substantial expenditures for advertising, sales promotion and trade merchandising. If a product gains consumer acceptance, it normally requires continued advertising, promotional support and product improvements in order to maintain its relative market position.

Some of the Company's competitors are larger and have financial resources greater than those of the Company. These competitors may be able to spend more aggressively on advertising and promotional activities, introduce competing products more quickly and respond more effectively to changing business and economic conditions than the Company. In addition, the Company's competitors may attempt to gain market share by offering products at sales prices at or below those typically offered by the Company.

Competitive activity may require the Company to increase its investment in marketing or reduce its sales prices and this may lead to reduced profit margins or a loss of market share, either of which could have a material adverse effect on the Company's business, financial condition and results of operations. There can be no assurance that the Company will be able to compete successfully against current and future competitors or that competitive pressures faced by the Company will not have a material adverse effect on its business, financial condition and results of operations.

Global operations outside the U.S. expose the Company to uncertain conditions, foreign currency exchange rate risk and other risks in international markets.

The Company's sales outside of the U.S. were approximately 58% of consolidated net sales in fiscal year 2012 and one of its core strategic initiatives includes becoming a global leader in its product categories. As a result, the Company currently faces, and will continue to face, substantial risks associated with having increased global operations outside the U.S., including:

- economic or political instability in the Company's international markets, including Latin America, the Middle East, parts of Asia, Russia, Eastern Europe and the Eurozone countries;
- restrictions on or costs relating to the repatriation of foreign profits to the U.S., including possible taxes or withholding obligations on any repatriations;

- challenges associated with the conduct of business in foreign jurisdictions;
- dispersed employee base and compliance with employment regulations and other labor issues, including unionization and minimum wages, in countries outside the U.S.; and
- the imposition of tariffs or trade restrictions and costs, burdens and restrictions associated with other governmental actions.

These risks could have a significant impact on the Company's ability to sell its products on a competitive basis in global markets outside the U.S. and could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company is also exposed to foreign currency exchange rate risk with respect to its sales, expenses, profits, assets and liabilities denominated in currencies other than the U.S. dollar. Although the Company uses instruments to hedge certain foreign currency risks, primarily those associated with its U.K. subsidiary, it is not fully protected against foreign currency fluctuations and, therefore, the Company's reported earnings may be affected by changes in foreign currency exchange rates. Moreover, any favorable impacts to profit margins or financial results from fluctuations in foreign currency exchange rates are likely to be unsustainable over time. Also, the current and ongoing European financial restructuring efforts may cause the value of the European currencies, particularly the Euro, to further deteriorate, thus reducing the purchasing power of certain European customers, which could have a material adverse effect on the Company's business, financial condition and results of operations.

Additionally, the Company's global operations outside the U.S. are subject to risks relating to appropriate compliance with legal and regulatory requirements in local jurisdictions, potential difficulties in staffing and managing local operations, potentially higher incidence of fraud or corruption, credit risk of local customers and distributors and potentially adverse tax consequences. Also, as the Company further develops and grows its business operations outside the U.S., the Company may be exposed to additional complexities and risks, particularly in emerging markets such as China. In many foreign countries, particularly in those with developing economies, it may be a local custom for a company which operates in such countries to engage in business practices that are prohibited by the U.S. Foreign Corrupt Practices Act ("FCPA"), the U.K. Bribery Act or other applicable laws and regulations. Although the Company has adopted policies and contract terms to mandate compliance with these laws, there can be no assurance that all of its employees, contractors and agents will comply with the Company's requirements. Violations of these laws could be costly and disrupt the Company's business, which could have a material adverse effect on its business, financial condition and results of operations.

Sales volume growth may be difficult to achieve.

The Company's ability to achieve sales volume growth will depend on its ability to (i) execute its core strategic initiatives, which include maximizing the WD-40 brand through geographic expansion and market penetration, becoming the global leader in the Company's product categories within its prioritized platforms, developing strategic business relationships, pursuing global innovation efforts and attracting, developing and retaining people, (ii) drive growth within its existing markets through innovation, renovation and enhanced merchandising and marketing of its established brands, (iii) introduce its products to new users and (iv) capture market share from its competitors. It is more difficult for the Company to achieve sales volume growth in mature markets where the Company's products are widely used as compared to in developing markets where the Company's products have been newly introduced or are not well known by consumers. In order to protect the Company's existing market share or capture additional market share from its competitors, the Company may need to increase its expenditures related to promotions and advertising or introduce and establish new products. In past periods, the Company has also increased sales prices on certain of its products in response to increased costs for components and raw materials. Sales price increases may slow sales volume growth or create declines in volume in the short term as customers adjust to sales price increases. In addition, a change in the strategies of the

Company's existing customers, including shelf simplification, the discontinuation of certain product offerings or the shift in shelf space to competitors' products could reduce the Company's sales and potentially offset sales volume increases achieved as a result of other sales growth initiatives. If the Company is unable to increase market share in its existing product lines by developing product improvements, investing adequately in its existing brands, building usage among new customers, developing, acquiring or successfully launching new products or product line extensions, or successfully penetrating new and developing markets globally, the Company may not achieve its sales volume growth objectives.

Government regulations and environmental laws and regulations could result in material costs or otherwise adversely affect the Company's financial condition and results of operations.

The manufacturing, chemical composition, packaging, storage, distribution and labeling of the Company's products and the manner in which the Company's business operations are conducted must comply with extensive federal, state and foreign laws and regulations, such as the California Air Resources Board ("CARB") regulations and the California Transparency in Supply Chains Act as well as many others in the United States. In addition, the Company's international operations are subject to regulations in each of the foreign jurisdictions in which it manufactures, distributes and sells its products. If the Company is not successful in complying with the requirements of all such regulations or changes to existing regulations, it could be fined or other actions could be taken against the Company by the governing body and this could adversely affect the Company's financial condition and results of operations. It is also possible that governments will increase regulation of the transportation, storage or use of certain chemicals, to enhance homeland security or protect the environment and such regulation could negatively impact the Company's ability to obtain raw materials, components and/or finished goods or could result in increased costs. In the event that such regulations result in increased product costs, the Company may not be in a position to raise selling prices, and therefore an increase in costs could have a material adverse effect on the Company's business, financial condition and results of operations.

Some of the Company's products have chemical compositions that are controlled by various state, federal and international laws and regulations. The Company is required to comply with these laws and regulations and it seeks to anticipate regulatory developments that could impact the Company's ability to continue to produce and market its products. The Company invests in research and development to maintain product formulations that comply with such laws and regulations. There can be no assurance that the Company will not be required to alter the chemical composition of one or more of the Company's products in a way that will have an adverse effect upon the product's efficacy or marketability. A delay or other inability of the Company to complete product research and development and successfully reformulate its products in response to any such regulatory requirements could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company is also subject to numerous environmental laws and regulations that impose various environmental controls on its business operations, including, among other things, the discharge of pollutants into the air and water, the handling, use, treatment, storage and clean-up of solid and hazardous wastes and the investigation and remediation of soil and groundwater affected by hazardous substances. Such laws and regulations may otherwise relate to various health and safety matters that impose burdens upon the Company's operations. These laws and regulations govern actions that may have adverse environmental effects and also require compliance with certain practices when handling and disposing of hazardous wastes. These laws and regulations also impose strict, retroactive and joint and several liability for the costs of, and damages resulting from, cleaning up current sites, past spills, disposals and other releases of hazardous substances. The Company believes that its expenditures related to environmental matters have not had, and are not currently expected to have, a material adverse effect on its financial condition, results of operations or cash flows. However, the environmental laws under which the Company operates are complicated, often become increasingly more stringent and may be applied retroactively. Accordingly, there can be no assurance that the Company will not be required to incur additional expenditures to remain in or to achieve compliance with environmental laws in the future or that any such additional expenditures will not have a material adverse effect on the Company's business, financial condition or results of operations.

Dependence on key customers could adversely affect the Company's business, financial condition and results of operations.

The Company sells its products through a network of domestic and international mass retail and consumer retailers as well as industrial distributors and suppliers. The retail industry has historically been the subject of consolidation due to economic events, and as a result, the development of large chain stores has taken place. Today, the retail channel in the U.S. is comprised of several of these large chain stores that capture the bulk of the market share. Since many of the Company's customers have been part of the consolidation in the retail industry, these limited customers account for a large percentage of the Company's net sales. The Company expects that a significant portion of its revenues will continue to be derived from this limited number of customers. As a result, changes in the strategies of the Company's largest customers, including shelf simplification, a reduction in the number of brands they carry or a shift in shelf space to "private label" or competitors' products, may harm the Company's sales. The loss of, or reduction in, orders from any of the Company's most significant customers could have a material adverse effect on the Company's brand values, business, financial condition and results of operations. Large customers may seek price reductions, added support or promotional concessions. If the Company agrees to such customer demands and/or requests, it could negatively impact the Company's ability to maintain existing profit margins.

In addition, the Company's business is based primarily upon individual sales orders, and the Company typically does not enter into long-term contracts with its customers. Accordingly, these customers could reduce their purchasing levels or cease buying products from the Company at any time and for any reason. The Company is also subject to changes in customer purchasing patterns or the level of promotional activities. These types of changes may result from changes in the manner in which customers purchase and manage inventory levels, or display and promote products within their stores. Other potential factors such as customer disputes regarding shipments, fees, merchandise condition or related matters may also impact operating results. If the Company ceases doing business with a significant customer or if sales of its products to a significant customer materially decrease, the Company's business, financial condition and results of operations may be harmed.

If the success and reputation of one or more of the Company's leading brands erodes, its business, financial condition and results of operations could be negatively impacted.

The financial success of the Company is directly dependent on the success and reputation of its brands, particularly its WD-40 brand. The success and reputation of the Company's brands can suffer if marketing plans or product development and improvement initiatives do not have the desired impact on the brands' image or do not attract customers as intended. The Company's brands can also be adversely impacted due to the activities and pressures placed on them by the Company's competitors. Further, the Company's business, financial condition and results of operations could be negatively impacted if one of its leading brands suffers damage to its reputation due to real or perceived quality or safety issues. Quality issues, which can lead to large scale recalls of the Company's products, can be due to items such as product contamination, packaging errors and incorrect ingredients in the Company's product. Although the Company makes every effort to prevent brand erosion and preserve its reputation and the reputation of its brands, there can be no assurance that such efforts will be successful.

The Company may not successfully develop, introduce and /or establish new products and line extensions.

The Company's future performance and growth depend, in part, on its ability to successfully develop, introduce and/or establish new products as both brand extensions and/or line extensions. The Company cannot be certain that it will successfully achieve those goals. The Company competes in several product categories where there are frequent introductions of new products and line extensions and such product introductions often require significant investment and support. The ability of the Company to understand consumer preferences is key to maintaining and improving the competitiveness of its product offerings. The development and introduction of new products, as well as the renovation of current products and product lines, require substantial and effective

research, development and marketing expenditures, which the Company may be unable to recoup if the new or renovated products do not gain widespread market acceptance. There are inherent risks associated with new product development and marketing efforts, including product development or launch delays, product performance issues during development, changing regulatory frameworks that affect the new products in development and the availability of key raw materials included in such products. These inherent risks could result in the failure of new products and product line extensions to achieve anticipated levels of market acceptance, additional costs resulting from failed product introductions and the Company not being first to market. As the Company continues to focus on innovation and renovation, the Company's business, financial condition or results of operations could be adversely affected in the event that the Company is not able to effectively develop and introduce new or renovated products and line or brand extensions.

The Company's business development activities may not be successful.

The Company seeks to increase growth through business development activities such as acquisitions, joint ventures, licensing and/or other strategic partnerships in the United States and internationally. However, if the Company is not able to identify, acquire and successfully integrate acquired products or companies or successfully manage joint ventures or other strategic partnerships, the Company may not be able to maximize these opportunities. The failure to properly manage business development activities because of difficulties in the assimilation of operations and products, the diversion of management's attention from other business concerns, the loss of key employees or other factors could materially adversely affect the Company's business, financial condition and results of operations. In addition, there can be no assurance that the Company's business development activities will be profitable at their inception or that they will achieve sales levels and profitability that justify the investments made.

Future acquisitions, joint ventures or strategic partnerships could also result in the incurrence of debt, potentially dilutive issuances of equity securities, contingent liabilities, amortization expenses related to certain intangible assets and/or increased operating expenses, all of which could adversely affect the Company's results of operations and financial condition. In addition, to the extent that the economic benefits associated with any of the Company's business development activities diminish in the future, the Company may be required to record impairments to goodwill, intangible assets or other assets associated with such activities, which could also adversely affect the Company's business, financial condition and results of operations.

Goodwill and intangible assets are subject to impairment risk.

In accordance with the authoritative guidance on goodwill, intangibles and other, the Company assesses the potential impairment of its existing goodwill during the second fiscal quarter of each fiscal year and otherwise when there is evidence that events or changes in circumstances indicate that an impairment condition may exist. The Company also assesses its definite-lived intangible assets for potential impairment when events and circumstances indicate that the carrying amount of the asset may not be recoverable and/or its remaining useful life may no longer be appropriate. Indicators such as underperformance relative to historical or projected future operating results, changes in the Company's strategy for its overall business or use of acquired assets, unexpected negative industry or economic trends, decline in the Company's stock price for a sustained period, decreased market capitalization relative to net book values, unanticipated technological change or competitive activities, loss of key distribution, change in consumer demand, loss of key personnel and acts by governments and courts may signal that an asset has become impaired.

The Company may be required to record a significant charge in its consolidated financial statements during the period in which any impairment of its goodwill or intangible assets is identified and this would negatively impact the Company's financial condition and results of operations. Although the Company has recorded significant impairments to certain of its indefinite-lived intangible assets in prior fiscal years, no such impairments have been identified or recorded in recent fiscal years associated with its goodwill or definite-lived intangible assets. As of August 31, 2012, the Company only held goodwill and definite-lived intangible assets as its remaining indefinite-lived intangible assets, which include the Spot Shot, 2000 Flushes and 1001 trade names, were reclassified to definite-lived intangible assets effective February 28, 2011.

The Company's operating results and financial performance may not meet expectations which could adversely affect the Company's stock price.

The Company cannot be sure that its operating results and financial performance, which include sales growth, net income, earnings per common share, gross margin and cash flows, will meet expectations. If the Company's assumptions and estimates are incorrect or do not come to fruition, or if the Company does not achieve all of its key goals or core strategic initiatives, then the Company's actual performance could vary materially from its internal expectations and those of the market. Failure to meet or exceed these expectations could cause the market price of the Company's stock to decline. The Company's operating results and financial performance may be negatively influenced by a number of factors, many of which are discussed in this Item 1A "Risk Factors". In addition, the Company's stock price could significantly fluctuate as a result of the following factors:

- Significant variations in the Company's operating results;
- Operating results that vary from the expectations of management, securities analysts or investors;
- Changes in product sales prices by the Company or its competitors and consumer and customer reactions to such sales price changes;
- The mix of products sold within different channels and countries with varying profitability in a given period;
- The Company's ability to control internal costs and to generate expected cost savings and efficiencies;
- The effectiveness of the Company's advertising, marketing and promotional programs;
- The failure of parties contracting with the Company to perform their obligations and the loss of or inability to renew contracts of importance to the Company's performance;
- The Company's reliance on brokers for the grocery and industrial channels;
- The ability of the Company to attract and retain qualified personnel;
- The ability of the Company to penetrate and grow domestic and international markets and distribution channels; and
- The ability of the Company to manage inventory at appropriate levels, including decisions regarding obsolescence.

In addition, sales volume growth, whether due to acquisitions or internal growth, can place burdens on management resources and financial controls that, in turn, can have a negative impact on operating results and financial condition of the Company. To some extent, the Company plans its expense levels in anticipation of future revenues. If actual revenues fall short of these expectations, operating results and the financial condition of the Company are likely to be adversely affected.

Resolution of income tax matters may impact the Company's financial condition and results of operations.

Significant judgment is required in determining the Company's effective income tax rate and in evaluating tax positions, particularly those related to uncertain tax positions. The Company provides for uncertain tax positions when such tax positions do not meet the recognition thresholds or measurement standards prescribed by the accounting standard for uncertain tax positions. Changes in uncertain tax positions or other adjustments resulting from tax audits and settlements with taxing authorities, including related interest and penalties, impact the

Company's effective tax rate. When particular tax matters arise, a number of years may elapse before such matters are audited and finally resolved. Favorable resolution of such matters could be recognized as a reduction to the Company's effective tax rate in the year of resolution. Unfavorable resolution of any tax matter could increase the Company's effective tax rate. Any resolution of a tax matter may require the adjustment of tax assets or tax liabilities or the use of cash in the year of resolution. For additional information, refer to the information set forth in Note 13 – Income Taxes of the consolidated financial statements, included in Item 15 of this report.

Product liability claims and other litigation and/or regulatory action could adversely affect the Company's sales and operating results.

While the Company makes every effort to ensure that the products it develops and markets are safe for consumers, the use of the Company's products may expose the Company to liability claims resulting from such use. Claims could be based on allegations that, among other things, the Company's products contain contaminants, provide inadequate instructions regarding their use or inadequate warnings concerning their use or interactions with other substances. Product liability claims could result in negative publicity that could harm the Company's sales and operating results. The Company maintains product liability insurance that it believes will be adequate to protect the Company from material loss attributable to such claims but the extent of such loss could exceed available limits of insurance or could arise out of circumstances under which such insurance coverage would be unavailable. Other business activities of the Company may also expose the Company to litigation risks, including risks that may not be covered by insurance such as contract disputes. If successful claims are asserted by third parties against the Company for uninsured liabilities or liabilities in excess of applicable limits of insurance coverage, the Company's business, financial condition and results of operations may be adversely affected. In addition, if one of the Company's products were determined to be defective, the Company could be required to recall the product, which could result in adverse publicity and significant expenses.

Additionally, the Company's products may be associated with competitor products or other products in the same category, which may be alleged to have caused harm to consumers. As a result of this association, the Company may be named in unwarranted legal actions. The potential costs to defend such claims may materially affect the Company's business, financial condition and results of operations.

Failure to maximize or to successfully assert the Company's intellectual property rights or infringement by the Company on the intellectual property rights of others could impact its competitiveness or otherwise adversely affect the Company's financial condition and results of operations.

The Company relies on trademark, trade secret, patent and copyright laws to protect its intellectual property rights. The Company cannot be sure that these intellectual property rights will be maximized or that they can be successfully asserted. There is a risk that the Company will not be able to obtain and perfect its own intellectual property rights or, where appropriate, license intellectual property rights necessary to support new product introductions. The Company cannot be certain that these rights, if obtained, will not be invalidated, circumvented or challenged in the future, and the Company could incur significant costs in connection with legal actions to defend its intellectual property rights. In addition, even if such rights are obtained in the United States, it may be that the laws of some of the other countries in which the Company's products are or may be sold do not protect intellectual property rights to the same extent as the laws of the United States, or they may be difficult to enforce. If other companies infringe the Company's intellectual property rights or take part in counterfeiting activities, they may dilute the value of the Company's brands in the marketplace, which could diminish the value that consumers associate with the Company's brands and harm its sales. The failure of the Company to protect or successfully assert its intellectual property rights or to protect its other proprietary information could make the Company less competitive and could have a material adverse effect on its business, financial condition and results of operations.

If the Company is found to have violated the trademark, trade secret, copyright, patent or other intellectual property rights of others, such a finding could result in the need to cease the use of a trademark, trade secret, copyrighted work or patented invention in the Company's business and an obligation to pay a substantial amount

for past infringement. It could also be necessary to pay a substantial amount in the future if the holders of such rights are willing to permit the Company to continue to use the intellectual property rights. Either having to cease use or pay such amounts could make the Company less competitive and could have a material adverse impact on its business, financial condition and results of operations.

Changes in marketing distributor relationships that are not managed successfully by the Company could result in a disruption in the affected markets.

The Company distributes its products throughout the world in one of two ways: the Direct Distribution model, in which products are sold directly by the Company to wholesalers and retailers in the U.S., Canada, Australia, China, the U.K. and a number of other countries throughout Europe; and the Marketing Distributor model, in which products are sold to marketing distributors who in turn sell to wholesalers and retailers. The Marketing Distributor model is generally used in certain countries where the Company does not have direct Company-owned operations. Instead, the Company partners with local companies who perform the sales, marketing and distribution functions. The Company invests time and resources in these relationships. Should the Company's relationship with a marketing distributor change or terminate, the Company's sales within such marketing distributor's territory could be adversely impacted until such time as a suitable replacement could be found and the Company's key marketing strategies implemented. There is a risk that changes in such marketing distributor relationships, including changes in key marketing distributor personnel, that are not managed successfully, could result in a disruption in the affected markets and that such disruption could have a material adverse effect on the Company's business, financial condition and results of operations. Additionally, in some countries, local laws may require substantial payments to terminate existing marketing distributor relationships, which could also have a material adverse effect on the Company's business, financial condition and results of operations.

The Company may not have sufficient cash to service its indebtedness or to pay cash dividends.

Historically, the Company's acquisitions have been funded to a large extent by debt. In order to service the debt, the Company is required to use its income from operations to make interest and principal payments required by the terms of the loan agreements. In addition, the Company's loan agreements typically include covenants to maintain certain financial ratios and to comply with other financial terms, conditions and covenants. Also, the Company has historically paid out a large part of its earnings to stockholders in the form of regular quarterly cash dividends. In December 2011, the Board of Directors declared a 7% increase in the regular quarterly cash dividend, increasing it from \$0.27 per share to \$0.29 per share.

The Company may incur substantial debt in the future for acquisitions or other business development activities. In addition, the Company may continue to use available cash balances to execute share repurchases under approved share buy-back plans. To the extent that the Company is required to seek additional financing to support certain of these activities, such financing may not be available in sufficient amounts or on terms acceptable to the Company. If the Company is unable to obtain such financing or to service its existing or future debt with its operating income, or if available cash balances are affected by future business performance, liquidity, capital needs, alternative investment opportunities or debt covenants, the Company could be required to reduce, suspend or eliminate its dividend payments to its stockholders.

The Company may experience difficulties with or malfunctions of the critical information systems that it uses for the daily operations of its business and this could adversely affect the Company's business, financial condition and results of operations.

System failure, malfunction or loss of data which is housed in the Company's critical information systems could disrupt its ability to timely and accurately process transactions and produce key financial reports, including information on the Company's operating results, financial position and cash flows. The Company's information systems could be damaged or cease to function properly due to a number of reasons, including catastrophic events, power outages and security breaches. Although the Company has certain business continuity plans in

place to address such service interruptions, there is no guarantee that these business continuity plans will provide alternative processes in a timely manner. As a result, the Company may experience interruptions in its ability to manage its daily operations and this could adversely affect the Company's business, financial condition and results of operations.

The information system that the U.S. office uses for its business operations is a market specific application which is not widely used by other companies. The company that owns and supports this application may not be able to provide the same level of support as that of companies which own larger, more widely spread information systems. If the company that supports this application in the U.S. were to cease its operations or were unable to provide continued support for this application, it could adversely affect the Company's daily operations or its business, financial condition and results of operations.

In addition, the Company's U.K. subsidiary started a project in mid-fiscal year 2012 to implement a major upgrade to its critical information system. This information system is used by the U.K. subsidiary to process all of the daily transactions for the U.K. subsidiary and its branch offices located in Europe and to produce key financial reports for the European operations. If the U.K. subsidiary experiences difficulties in implementing or going live with this upgraded information system, the Company may experience interruptions in its ability to manage its daily operations and report financial results and this could adversely affect the Company's business, financial condition and results of operations.

Compliance with changing regulations and standards for accounting, corporate governance and public disclosure may result in additional expenses and this could negatively impact the Company's business, financial condition and results of operations.

Changing laws, regulations and standards relating to accounting and financial reporting, corporate governance and public disclosure, including new SEC regulations such as those required by the Dodd-Frank Wall Street Reform and Consumer Protection Act, new NASDAQ Stock Market rules, new accounting requirements, including any that result from the joint convergence projects of the Financial Accounting Standards Board and the International Accounting Standards Board, and the potential future requirement to transition to international financial reporting standards may create uncertainty and additional burdens and complexities for the Company. To maintain high standards of accounting and financial reporting, corporate governance and public disclosure, the Company intends to invest all reasonably necessary resources to comply with all such evolving standards and requirements. These investments may result in increased general and administrative expenses and a diversion of management time and attention from strategic revenue generating and cost management activities, either of which could negatively impact the Company's business, financial condition and results of operations.

The operations of the Company and its third-party contract manufacturers and suppliers of raw materials and components are subject to disruption by events beyond the Company's control.

Operations of the Company and the operations of its third-party contract manufacturers and suppliers of raw materials and components are subject to disruption for a variety of reasons, including work stoppages, acts of war, terrorism, pandemics, fire, earthquakes, hurricanes, flooding or other natural disasters. If a major disruption were to occur, it could result in harm to people or the natural environment, temporary loss of access to critical data, delays in shipments of products to customers, supply chain disruptions, increased costs for finished goods, components and/or raw materials or suspension of operations, any of which could have a material adverse effect on the Company's business, financial condition and results of operations. Although the Company has certain business continuity plans in place to respond to such events, there is no assurance that such plans are adequate or would be successfully implemented.

The Company's continued growth and expansion could adversely affect its internal control over financial reporting which could harm its business and financial condition.

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting per the Sarbanes-Oxley Act of 2002. Internal control over financial reporting is a process to provide reasonable assurance regarding the reliability of financial reporting for external purposes in accordance

with accounting standards generally accepted in the United States. Internal control over financial reporting includes maintaining records in reasonable detail such that they accurately and fairly reflect the Company's transactions, providing reasonable assurance that receipts and expenditures are made in accordance with management's authorization, policies and procedures and providing reasonable assurance that the unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements would be prevented or detected in a timely manner. The Company's continued growth and expansion, particularly in global markets, will place additional pressure and risk on the Company's system of internal control over financial reporting. Any failure by the Company to maintain an effective system of internal control over financial reporting associated with such growth and expansion could limit the Company's ability to report its financial results accurately and on a timely basis or to detect and prevent fraud.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

Americas

The Company owns and occupies an office and plant facility, consisting of office, plant and storage space, which is located at 1061 Cudahy Place, San Diego, California 92110. The Company also leases additional office and storage space in San Diego. The Company leases a regional sales office in Miami, Florida, a research and development office in Springfield, New Jersey and office space in Toronto, Ontario, Canada.

Europe

The Company owns and occupies an office and plant facility, consisting of office, plant and storage space, located in Milton Keynes, United Kingdom. In addition, the Company leases space for its branch offices in Germany, France, Italy, Spain and Portugal.

Asia-Pacific

The Company leases office space in Epping, New South Wales, Australia and Shanghai, China. The Company also leases office space for a regional office in Kuala Lumpur, Malaysia.

Item 3. Legal Proceedings

The Company is party to various claims, legal actions and complaints, including product liability litigation, arising in the ordinary course of business.

On May 31, 2012, a legal action was filed against the Company in the United States District Court, Southern District of Texas, Houston Division (IQ Products Company v. WD-40 Company). IQ Products Company, a Texas corporation ("IQPC"), or an affiliate or a predecessor of IQPC, has provided contract manufacturing services to the Company for many years. The allegations of IQPC's complaint arose out of a pending termination of this business relationship. In 2011, the Company requested proposals for manufacturing services from all of its domestic contract manufacturers in conjunction with a project to redesign the Company's supply chain architecture in North America. IQPC submitted a proposal as requested, and the Company tentatively awarded IQPC a new contract based on the information and pricing included in that proposal. IQPC subsequently sought to materially increase the quoted price for such manufacturing services. As a result, the Company chose to terminate its business relationship with IQPC. IQPC also raised alleged safety concerns regarding a long-standing manufacturing specification related to the Company's products. The Company believes that IQPC's safety concerns are unfounded.

In its complaint, IQPC asserts that the Company is obligated to indemnify IQPC for claims and losses based on a 1993 indemnity agreement and pursuant to common law. IQPC also asserts that it has been harmed by the Company's allegedly retaliatory conduct in seeking to terminate its relationship with IQPC, allegedly in response to the safety concerns identified by IQPC. IQPC seeks declaratory relief to establish that it is entitled to indemnification and also to establish that the Company is responsible for reporting the alleged safety concerns to the United States Consumer Products Safety Commission and to the United States Department of Transportation. The complaint also seeks damages for alleged economic losses in excess of \$40.0 million, attorney's fees and punitive damages based on alleged misrepresentations and false promises. The Company believes the case is without merit and will vigorously defend this matter. The Company's estimate of possible loss relative to this matter is immaterial with respect to the Company's consolidated financial statements.

Item 4. Mine Safety Disclosures

Not applicable.

Executive Officers of the Registrant

The following table sets forth the names, ages, year elected to current position and current titles of the executive officers of the Company as of August 31, 2012:

<u>Name, Age and Year Elected to Current Position</u>	<u>Title</u>
Garry O. Ridge	56 1997 President and Chief Executive Officer
Jay W. Rembolt	61 2008 Vice President, Finance and Chief Financial Officer
Michael J. Irwin	49 2008 Executive Vice President, Strategic Development
Graham P. Milner	58 2002 Executive Vice President, Global Innovation and Chief Branding Officer
Michael L. Freeman	59 2002 Division President, The Americas
Geoffrey J. Holdsworth	50 1997 Managing Director, Asia Pacific
William B. Noble	54 1996 Managing Director, WD-40 Company Ltd. (U.K.)

Mr. Ridge joined the Company's Australian subsidiary, WD-40 Company (Australia) Pty. Limited, in 1987 as Managing Director. He held several senior management positions prior to his election as Chief Executive Officer in 1997.

Mr. Rembolt joined the Company in 1997 as Manager of Financial Services. He was promoted to Controller in 1999 and to Vice President, Finance/Controller in 2001. He was then named Vice President, Finance and Chief Financial Officer in 2008.

Mr. Irwin joined the Company in 1995 as Director of U.S. Marketing, and he was subsequently promoted to Director of Marketing, The Americas. He was named Vice President, Marketing, The Americas in 1998, Senior Vice President, Chief Financial Officer and Treasurer in 2001 and Executive Vice President in 2002. In 2008, he was appointed to his current position of Executive Vice President, Strategic Development.

Mr. Milner joined the Company in 1992 as International Director. He was named Vice President, Sales and Marketing, The Americas, in 1997 and Senior Vice President, The Americas, in 1998. He was then appointed to his current position of Executive Vice President, Global Innovation and Chief Branding Officer in 2002.

Mr. Freeman joined the Company in 1990 as Director of Marketing and was promoted to Director of Operations in 1994. He became Vice President, Administration and Chief Information Officer in 1996, and was named Senior Vice President, Operations in 2001 and Division President, The Americas, in 2002.

Mr. Holdsworth joined the Company's Australia subsidiary, WD-40 Company (Australia) Pty. Limited, in 1996 as General Manager and was promoted to his current position of Managing Director, Asia Pacific in 1997.

Mr. Noble joined the Company's Australia subsidiary, WD-40 Company (Australia) Pty. Limited, in 1993 as International Marketing Manager for the Asia Region. He was then promoted to his current position of Managing Director, WD-40 Company Ltd. (U.K.) in 1996.

All executive officers hold office at the discretion of the Board of Directors.

PART II

Item 5. Market For Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

The Company's common stock is traded on the NASDAQ Global Select Market. The following table sets forth the high and low sales prices per share of the Company's common stock for each of the quarterly periods indicated as reported by the NASDAQ Global Select Market.

	Fiscal Year 2012			Fiscal Year 2011		
	High	Low	Dividend	High	Low	Dividend
First Quarter	\$47.29	\$35.37	\$0.27	\$41.45	\$35.09	\$0.27
Second Quarter	\$45.05	\$39.25	\$0.29	\$41.77	\$36.72	\$0.27
Third Quarter	\$47.50	\$41.47	\$0.29	\$43.90	\$39.26	\$0.27
Fourth Quarter	\$51.81	\$45.88	\$0.29	\$47.97	\$38.00	\$0.27

On October 15, 2012, the last reported sales price of the Company's common stock on the NASDAQ Global Select Market was \$51.34 per share, and there were 15,715,835 shares of common stock outstanding held by approximately 934 holders of record.

Dividends

The Company has historically paid regular quarterly cash dividends on its common stock. In December 2011, the Board of Directors declared a 7% increase in the regular quarterly cash dividend, increasing it from \$0.27 per share to \$0.29 per share. On October 5, 2012, the Company's Board of Directors declared a cash dividend of \$0.29 per share payable on October 31, 2012 to shareholders of record on October 18, 2012.

The Board of Directors of the Company presently intends to continue the payment of regular quarterly cash dividends on the Company's common stock. The Company's ability to pay dividends could be affected by future business performance, liquidity, capital needs, alternative investment opportunities and debt covenants.

Purchases of Equity Securities By the Issuer and Affiliated Purchasers

On December 14, 2010, the Company's Board of Directors approved a share buy-back plan, which was in effect through December 13, 2011, and authorized the Company to acquire up to \$25.0 million of its outstanding shares. On April 4, 2011, the Company's Board of Directors approved an increase to this existing \$25.0 million share buy-back plan to authorize the Company to acquire an additional \$35.0 million of its outstanding shares and to extend the expiration date of the plan to April 4, 2013. As a result, the Company was authorized to acquire shares of its common stock in the aggregate amount of \$60.0 million, less the amount utilized to date. Under the plan, the Company was authorized to acquire its outstanding shares on such terms and conditions as may be acceptable to the Company's Chief Executive Officer or Chief Financial Officer and subject to lender approval from Prudential Capital, up until the date on which the term loan with this lender was paid in full, and in compliance with all laws and regulations applicable thereto. During the period from December 14, 2010 through November 30, 2011, the Company repurchased 1,484,912 shares at a total cost of \$60.0 million. As a result, the Company utilized the entire authorized amount and completed the repurchases under this share buy-back plan.

On December 13, 2011, the Company's Board of Directors approved a new share buy-back plan. Under the plan, which is in effect through December 12, 2013, the Company is authorized to acquire up to \$50.0 million of its outstanding shares on such terms and conditions as may be acceptable to the Company's Chief Executive Officer

or Chief Financial Officer and in compliance with all laws and regulations applicable thereto. During the period from December 14, 2011 through August 31, 2012, the Company repurchased 462,901 shares at a total cost of \$21.2 million.

The following table provides information with respect to all purchases made by the Company during the three months ended August 31, 2012. All purchases listed below were made in the open market at prevailing market prices.

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid Per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
June 1 – June 30	—	\$ —	—	\$37,699,752
July 1 – July 31	97,374	\$47.70	97,374	\$33,052,934
August 1 – August 31	88,160	\$48.66	88,160	\$28,761,320
Total	185,534	\$48.16	185,534	

Item 6. Selected Financial Data

The following data has been derived from the Company's audited consolidated financial statements. The data should be read in conjunction with such consolidated financial statements and other financial information included elsewhere in this report (in thousands, except per share amounts):

	As of and for the Fiscal Year Ended August 31,				
	2012	2011	2010	2009	2008
Net sales	\$342,784	\$336,409	\$321,516	\$292,002	\$317,118
Cost of products sold	174,302	168,297	156,210	147,469	168,848
Gross profit	168,482	168,112	165,306	144,533	148,270
Operating expenses	116,753	113,980	110,108	104,688	105,574
Income from operations	51,729	54,132	55,198	39,845	42,696
Interest and other expense, net	(816)	(601)	(1,641)	(1,521)	(697)
Income before income taxes	50,913	53,531	53,557	38,324	41,999
Provision for income taxes	15,428	17,098	17,462	12,037	14,377
Net income	\$ 35,485	\$ 36,433	\$ 36,095	\$ 26,287	\$ 27,622
Earnings per common share:					
Basic	\$ 2.22	\$ 2.16	\$ 2.17	\$ 1.59	\$ 1.66
Diluted	\$ 2.20	\$ 2.14	\$ 2.15	\$ 1.58	\$ 1.64
Dividends per share	\$ 1.14	\$ 1.08	\$ 1.00	\$ 1.00	\$ 1.00
Total assets	\$300,870	\$279,777	\$289,108	\$262,617	\$270,673
Long-term obligations ⁽¹⁾	\$ 25,963	\$ 24,321	\$ 32,764	\$ 41,456	\$ 52,118

⁽¹⁾ Long-term obligations include long-term debt, long-term deferred tax liabilities, net and deferred and other long-term liabilities.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is designed to provide the reader of the Company's financial statements with a narrative from the perspective of management on the Company's financial condition, results of operations, liquidity and certain other factors that may affect future results. This MD&A includes the following sections: Overview, Highlights, Results of Operations, Performance Measures and Non-GAAP Reconciliations, Liquidity and Capital Resources, Critical Accounting Policies, Recently Issued Accounting Standards and Related Parties. The MD&A is provided as a supplement to, and should be read in conjunction with, the Company's audited consolidated financial statements and the related notes included in Item 15 of this report.

In order to show the impact of changes in foreign currency exchange rates on our results of operations, we have included constant currency disclosures, where necessary, in the Overview and Results of Operations sections which follow. Constant currency disclosures represent the translation of our current fiscal year revenues and expenses from the functional currencies of our subsidiaries to U.S. dollars using the exchange rates in effect for the corresponding period of the prior fiscal year. We use results on a constant currency basis as one of the measures to understand our operating results and evaluate our performance in comparison to prior periods. Results on a constant currency basis are not in accordance with accounting principles generally accepted in the United States of America ("non-GAAP") and should be considered in addition to, not as a substitute for, results prepared in accordance with GAAP.

Overview

The Company

WD-40 Company, based in San Diego, California, is a global consumer products company dedicated to delivering unique, high value and easy-to-use solutions for a wide variety of maintenance needs of "doer" and "on-the-job" users by leveraging and building upon the Company's fortress of brands. We market multi-purpose maintenance products, WD-40® multi-use product and, 3-IN-ONE®, BLUE WORKS® and WD-40 Specialist® product lines. In the fourth quarter of fiscal year 2012, we developed the WD-40 Bike™ product line, which is focused on a comprehensive line of bicycle maintenance products that include wet and dry chain lubricants, heavy-duty degreasers, foaming bike wash and frame protectants that are designed specifically for the avid cyclist, bike enthusiasts and mechanics. The Company will start to launch certain products in this line in the United States ("U.S.") during the first quarter of fiscal year 2013. We also market the following homecare and cleaning brands: X-14® mildew stain remover and automatic toilet bowl cleaners, 2000 Flushes® automatic toilet bowl cleaners, Carpet Fresh® and No Vac® rug and room deodorizers, Spot Shot® aerosol and liquid carpet stain removers, 1001® household cleaners and rug and room deodorizers and Lava® and Solvol® heavy-duty hand cleaners.

Our brands are sold in various locations around the world. Multi-purpose maintenance products are sold worldwide in markets throughout North, Central and South America, Asia, Australia and the Pacific Rim, Europe, the Middle East and Africa. Homecare and cleaning products are sold primarily in North America, the U.K., Australia and the Pacific Rim. We sell our products primarily through mass retail and home center stores, warehouse club stores, grocery stores, hardware stores, automotive parts outlets and industrial distributors and suppliers.

Highlights

The following summarizes the financial and operational highlights for our business during the fiscal year ended August 31, 2012:

- *Consolidated net sales increased \$6.4 million, or 2%, for fiscal year 2012 compared to the prior fiscal year. Changes in foreign currency exchange rates did not have a material impact on sales for fiscal year 2012 as compared to the prior fiscal year.*

- *Multi-purpose maintenance products sales, which include the WD-40 multi-use product, 3-IN-ONE, BLUE WORKS and the WD-40 Specialist product lines, were \$286.5 million, up 3% from the prior fiscal year.*
- *Homecare and cleaning products sales, which include all other brands, were \$56.3 million, down 2% from the prior fiscal year.*
- *Americas segment sales were \$177.4 million, up 4% compared to the prior fiscal year. Europe segment sales were \$116.9 million, down 7% compared to the prior fiscal year. Asia-Pacific segment sales were \$48.5 million, up 18% compared to the prior fiscal year.*
- *Consolidated net income decreased \$0.9 million, or 3%, for fiscal year 2012 compared to the prior fiscal year. Changes in foreign currency exchange rates had an unfavorable impact of \$0.2 million on consolidated net income for fiscal year 2012. Thus, on a constant currency basis, net income would have decreased by \$0.7 million, or 2%, for fiscal year 2012 compared to the prior fiscal year.*
- *Gross profit as a percentage of net sales decreased to 49.2% for fiscal year 2012 compared to 50.0% for the prior fiscal year.*
- *Diluted earnings per common share for fiscal year 2012 were \$2.20 versus \$2.14 in the prior fiscal year period.*
- *Progress continues to be made on the development and launch of new multi-purpose maintenance products. The WD-40 Specialist line of products was launched in the U.S. during the first quarter of fiscal year 2012 and in Canada and select markets in Europe during the second quarter of fiscal year 2012. Initial sales results in all regions have been positive as compared to the initial forecasted sales.*
- *Share repurchases have been successfully executed under both our \$60.0 million and \$50.0 million approved share buy-back plans. The \$60.0 million plan has been fully utilized and all remaining authorized purchases under the plan were completed in the first quarter of fiscal year 2012. To date, the Company has repurchased 462,901 shares at an average price of \$45.86 per share for a total cost of \$21.2 million under the \$50.0 million plan which was approved by the Company's Board of Directors in December 2011.*
- *During the first quarter of fiscal year 2012, we started a project to redesign our supply chain architecture in North America. Once fully integrated in late fiscal year 2013, we expect this redesign to result in overall cost savings within our supply chain network, improved service to our customers and an increase in our inventory over historical levels. During the transition phases of this project, we have incurred and may continue to incur additional costs and our inventory levels may fluctuate from period to period.*
- *During the fourth quarter of fiscal year 2012, we developed the WD-40 Bike product line, which is focused on a line of bicycle maintenance products for cyclists and mechanics. This product line consists of a comprehensive line of bicycle maintenance products that include wet and dry chain lubricants, heavy-duty degreasers, foaming bike wash and frame protectants, all of which we will start to launch in the U.S. during the first quarter of fiscal year 2013.*

Our core strategic initiatives and the areas where we will continue to focus our time, talent and resources in future periods include: (i) maximizing the WD-40 brand through geographic expansion and market penetration; (ii) becoming the global leader in the Company's product categories within our prioritized platforms; (iii) developing strategic business relationships; (iv) pursuing global innovation efforts; and (v) attracting, developing and retaining people.

Results of Operations

Fiscal Year Ended August 31, 2012 Compared to Fiscal Year Ended August 31, 2011

Operating Items

The following table summarizes operating data for our consolidated operations (in thousands, except percentages and per share amounts):

	Fiscal Year Ended August 31,			
	2012	2011	Change from Prior Year	
			Dollars	Percent
Net sales:				
Multi-purpose maintenance products	\$286,480	\$278,763	\$ 7,717	3%
Homecare and cleaning products	56,304	57,646	(1,342)	(2)%
Total net sales	342,784	336,409	6,375	2%
Cost of products sold	174,302	168,297	6,005	4%
Gross profit	168,482	168,112	370	—
Operating expenses	116,753	113,980	2,773	2%
Income from operations	\$ 51,729	\$ 54,132	\$(2,403)	(4)%
Net income	\$ 35,485	\$ 36,433	\$ (948)	(3)%
Earnings per common share – diluted	\$ 2.20	\$ 2.14	\$ 0.06	3%

Net Sales by Segment

The following table summarizes net sales by segment (in thousands, except percentages):

	Fiscal Year Ended August 31,			
	2012	2011	Change from Prior Year	
			Dollars	Percent
Americas	\$177,394	\$169,881	\$ 7,513	4%
Europe	116,936	125,400	(8,464)	(7)%
Asia-Pacific	48,454	41,128	7,326	18%
	\$342,784	\$336,409	\$ 6,375	2%

Americas

The following table summarizes net sales by product line for the Americas segment (in thousands, except percentages):

	Fiscal Year Ended August 31,			
	2012	2011	Change from Prior Year	
			Dollars	Percent
Multi-purpose maintenance products	\$136,105	\$127,507	\$ 8,598	7%
Homecare and cleaning products	41,289	42,374	(1,085)	(3)%
	\$177,394	\$169,881	\$ 7,513	4%
% of consolidated net sales	52%	51%		

Sales in the Americas segment, which includes the U.S., Canada and Latin America, increased to \$177.4 million, up \$7.5 million, or 4%, for the fiscal year ended August 31, 2012 compared to the prior fiscal year. Changes in foreign currency exchange rates did not have a material impact on sales for the fiscal year ended August 31, 2012 compared to the prior fiscal year.

Sales of multi-purpose maintenance products in the Americas segment increased \$8.6 million, or 7%, for the fiscal year ended August 31, 2012 compared to the prior fiscal year. This sales increase was driven by higher sales of WD-40 multi-purpose maintenance products in the U.S., which were up 10% primarily due to new distribution within the mass retail channel, regained distribution within the home center channel and the impact of promotional activities for the WD-40 multi-use products during fiscal year 2012 compared to fiscal year 2011. The increased sales of WD-40 products in the U.S. were slightly offset by lower sales of these same products in Latin America, which were down by 7% primarily due to new trade restrictions and the unstable economic and political conditions, particularly in Argentina and Mexico, all of which continue to have a negative impact on our business development in those countries. In addition, the overall sales increase of the multi-purpose maintenance products in the Americas segment was also attributable to the successful launch of the WD-40 Specialist product line which began shipping during fiscal year 2012 in the U.S. and Canada and realized positive sales results as compared to the initial forecasted sales for both regions.

Sales of homecare and cleaning products in the Americas segment decreased \$1.1 million, or 3%, for the fiscal year ended August 31, 2012 compared to the prior fiscal year. Although sales of the homecare and cleaning products in the U.S., which is where the majority of such sales originate, decreased from period to period, sales of Spot Shot products increased 9% in the U.S. for fiscal year 2012 compared to the prior fiscal year. This increase was primarily due to new distribution and significant promotional display activities that were conducted during the current fiscal year, but not in the prior fiscal year. This increase was more than offset by lower sales of Carpet Fresh and our automatic toilet bowl cleaners in the U.S. due to lost distribution, competitive factors, and category declines.

For the Americas segment, 81% of sales came from the U.S. and 19% of sales came from Canada and Latin America combined for the fiscal year ended August 31, 2012, compared to the distribution for the fiscal year ended August 31, 2011, when 79% of sales came from the U.S. and 21% of sales came from Canada and Latin America combined.

Europe

The following table summarizes net sales by product line for the Europe segment (in thousands, except percentages):

	Fiscal Year Ended August 31,			
	2012	2011	Change from Prior Year	
			Dollars	Percent
Multi-purpose maintenance products	\$109,115	\$116,461	\$ (7,346)	(6)%
Homecare and cleaning products	7,821	8,939	(1,118)	(13)%
	<u>\$116,936</u>	<u>\$125,400</u>	<u>\$ (8,464)</u>	<u>(7)%</u>
% of consolidated net sales	<u>34%</u>	<u>37%</u>		

Sales in the Europe segment decreased to \$116.9 million, down \$8.5 million, or 7%, for the fiscal year ended August 31, 2012 compared to the prior fiscal year. Changes in foreign currency exchange rates did not have a material impact on sales for the fiscal year ended August 31, 2012 compared to the prior fiscal year.

The countries in Europe where we sell through a direct sales force include the U.K., Italy, France, Iberia (which includes Spain and Portugal) and the Germanics sales region (which includes Germany, Austria, Denmark, Switzerland, Sweden and the Netherlands). Overall, sales from direct markets decreased \$10.6 million, or 13%, for the fiscal year ended August 31, 2012 compared to the prior fiscal year. We experienced sales decreases throughout the Europe direct markets for the fiscal year ended August 31, 2012 compared to the prior fiscal year, with percentage decreases in sales as follows: the Germanics sales region, 21%; Italy, 13%; U.K., 11%; Iberia, 5%; and France, 4%.

The sales decline in the direct markets was primarily due to the adverse economic conditions, which have existed throughout Europe since the beginning of our fiscal year 2012 and which worsened during the second half of the year, as well as the increased level of competition. Sales from direct markets accounted for 63% of the Europe segment's sales for the fiscal year ended August 31, 2012 compared to 68% of the Europe segment's sales for the prior fiscal year.

In the countries in which we sell through local distributors, sales increased \$2.1 million, or 5%, for the fiscal year ended August 31, 2012 compared to the prior fiscal year primarily due to increased sales of WD-40 multi-use products in Eastern Europe and the Middle East. Overall, sales in the distributor markets were increased from year to year primarily due to the continued growth of the base business in key markets, particularly those in Eastern Europe. In general, the markets in which we sell through local distributors have remained more stable from an economic standpoint than other countries in Europe. The distributor markets accounted for 37% of the total Europe segment sales for the fiscal year ended August 31, 2012, compared to 32% for the prior fiscal year.

Asia-Pacific

The following table summarizes net sales by product line for the Asia-Pacific segment (in thousands, except percentages):

	Fiscal Year Ended August 31,			
	2012	2011	Change from Prior Year	
			Dollars	Percent
Multi-purpose maintenance products	\$41,260	\$34,795	\$6,465	19%
Homecare and cleaning products	7,194	6,333	861	14%
	<u>\$48,454</u>	<u>\$41,128</u>	<u>\$7,326</u>	<u>18%</u>
% of consolidated net sales	<u>14%</u>	<u>12%</u>		

Sales in the Asia-Pacific segment, which includes Australia, China and other countries in the Asia region, increased to \$48.5 million, up \$7.3 million, or 18%, for the fiscal year ended August 31, 2012 compared to the prior fiscal year. Changes in foreign currency exchange rates for the fiscal year ended August 31, 2012 compared to the prior fiscal year had a favorable impact on sales. Sales for the fiscal year ended August 31, 2012 translated at the exchange rates in effect for the prior fiscal year would have been \$47.9 million in the Asia-Pacific segment. Thus, on a constant currency basis, sales would have increased by \$6.7 million, or 16%, for the fiscal year ended August 31, 2012 compared to the prior fiscal year.

Sales in Asia, which represented 63% of the total sales in the Asia-Pacific segment, increased \$5.3 million, or 21%, for the fiscal year ended August 31, 2012 compared to the prior fiscal year primarily due to the stable economic conditions which existed for much of the Asia region during most of fiscal year 2012. The distributor markets in the Asia region experienced a sales increase of \$3.9 million, or 24%, for the fiscal year ended August 31, 2012 compared to the prior fiscal year, primarily due to the continued growth of the WD-40 multi-use products throughout the distributor markets, including those in Indonesia, South Korea and the Philippines. Sales in China increased \$1.4 million, or 15%, for the fiscal year ended August 31, 2012 compared to the prior fiscal year due to the ongoing growth of our base business and the higher level of orders placed by our customers during promotional programs that were conducted in the first and third quarters of fiscal year 2012. In addition, sales in China were positively impacted by the timing of customer orders, specifically the higher level of such orders which were placed in advance of price increases that will become effective at the beginning of the first quarter of fiscal year 2013. Foreign currency exchange rates also had a favorable impact on sales results in China from year to year. On a constant currency basis, sales would have increased \$1.0 million, or 11%, for the fiscal year ended August 31, 2012 compared to the prior fiscal year. Although sales in China increased year over year, the rate of growth slowed significantly in the second half of fiscal year 2012 due to the adverse economic conditions and the slowing of industrial activities in China.

Sales in Australia increased \$2.0 million, or 13%, for the fiscal year ended August 31, 2012 compared to the prior fiscal year primarily due to a significant promotional program that was conducted during the third quarter of fiscal year 2012, a new product offering which was sold to certain of our customers during the second half of fiscal year 2012 and the ongoing growth of our base business. Although retail spending slowed in Australia in the second half of fiscal year 2012, demand for our products in Australia continued at a steady pace. Foreign currency exchange rates also had a favorable impact on sales results from year to year. On a constant currency basis, sales would have increased \$1.8 million, or 11%, for the fiscal year ended August 31, 2012 compared to the prior fiscal year.

Gross Profit

Gross profit increased to \$168.5 million for the fiscal year ended August 31, 2012 compared to \$168.1 million for the prior fiscal year. As a percentage of net sales, gross profit decreased to 49.2% for the fiscal year ended August 31, 2012 compared to 50.0% for the prior fiscal year due to a variety of items which negatively impacted gross margin, including costs associated with petroleum-based materials and aerosol cans, the net additional costs incurred in support of changes that we are currently making to our North American supply chain infrastructure, other raw materials and manufacturing costs, sales mix changes and the impact of changes in foreign currency exchange rates. These unfavorable items were partially offset by the positive impacts of sales price increases and lower manufacturing costs in our Asia-Pacific segment from period to period.

Gross margin was negatively impacted by 1.1 percentage points due to the combined effects of changes in the costs of petroleum-based materials and aerosol cans from period to period. There is often a delay of one quarter or more before changes in raw material costs impact cost of products sold due to production and inventory life cycles. The majority of this combined negative impact to gross margin from period to period was due to the increase in costs associated with petroleum-based material. We expect that petroleum-based material costs will continue to be volatile and that volatility will impact our cost of products sold in future periods.

In addition, gross margin was negatively impacted by 0.6 percentage points from period to period due to our North American supply chain restructure project. As a result of this project, we incurred higher warehousing, handling fees and freight costs, which were all partially offset by lower manufacturing fees from our third-party contract manufacturers, during fiscal year 2012 compared to the prior fiscal year. A large portion of these additional costs resulted from us moving inventory between our various third-party contract manufacturers and distribution centers in support of the redesign of our North American supply chain architecture. The activities related to this redesign project started in the first quarter of fiscal year 2012 and include consolidation of our third-party contract manufacturers and the restructuring of our distribution center network. These changes, once completed, are expected to improve service delivery to our customers and to reduce overall costs associated with our North American supply chain network. As we continue to transition to our new supply chain architecture, we may incur additional expenses in advance of the ultimate savings that we expect to gain once the implementation of this new architecture is complete.

We also incurred higher costs associated with raw materials related to our homecare and cleaning products, as well as increased manufacturing costs in our Europe segment, which when combined negatively impacted gross margin by 0.6 percentage points from period to period. Sales mix changes negatively impacted gross margin by 0.8 percentage points for the fiscal year ended August 31, 2012 compared to the prior fiscal year, primarily due to the higher sales mix in the distributor market in our Europe segment year over year. In addition, changes in foreign currency exchange rates negatively impacted gross margin by 0.2 percentage points.

The aforementioned unfavorable impacts to gross margin were significantly offset by the sales price increases, which positively affected gross margin by 2.2 percentage points for the fiscal year ended August 31, 2012 compared to the prior fiscal year. These sales price increases were implemented in certain locations and markets throughout most of fiscal year 2012 and in the second half of fiscal year 2011. Lower manufacturing costs in our Asia-Pacific segment also positively affected gross margin by 0.3 percentage points from period to period.

Note that our gross profit and gross margin may not be comparable to those of other consumer product companies, since some of these companies include all costs related to distribution of their products in cost of products sold, whereas we exclude the portion associated with amounts paid to third parties for shipment to our customers from our distribution centers and contract manufacturers and include these costs in selling, general and administrative expenses. These costs totaled \$15.4 million and \$15.0 million for the fiscal years ended August 31, 2012 and 2011, respectively.

Selling, General and Administrative Expenses

Selling, general and administrative (“SG&A”) expenses for the fiscal year ended August 31, 2012 increased \$1.6 million, or 2%, to \$88.9 million from \$87.3 million for the prior fiscal year. As a percentage of net sales, SG&A expenses remained constant at 26.0% for the fiscal years ended August 31, 2012 and 2011. The increase in SG&A expenses was largely attributable to higher employee-related costs, higher professional services costs and increased freight costs. Employee-related costs, which include salaries, bonuses, profit sharing, stock-based compensation and other fringe benefits, increased \$0.8 million for the fiscal year ended August 31, 2012 compared to the prior fiscal year primarily due to annual compensation increases and higher staffing levels in all segments. This increase in compensation costs was partially offset by lower bonus and stock-based compensation expenses from period to period. Although we started to experience some reduction in our freight costs in the third quarter of fiscal year 2012 as a result of our North American supply chain restructure, freight costs increased overall by \$0.5 million year over year primarily due to increased diesel costs and reduced truckload sizes as a result of smaller, more frequent orders being placed by our customers during the first half of the fiscal year 2012. Professional services costs increased \$0.6 million due primarily to higher legal fees. Other miscellaneous expenses, which primarily include broker sales commissions, meeting expenses, office overhead expenses and software support expenses and fees, increased by \$0.2 million period over period.

The increases in SG&A expenses described above were partially offset by a decrease in expenses associated with new product exploration from period to period. The decrease in new product exploration expenses within research and development of \$0.3 million was primarily due to the increased level of spending in this area during fiscal year 2011 related to the development of the WD-40 Specialist product line, which was launched in the first quarter of fiscal year 2012. Changes in foreign currency exchange rates decreased SG&A expenses by \$0.2 million for the fiscal year ended August 31, 2012 compared to the prior fiscal year.

We continued our research and development investment, the majority of which is associated with our multi-purpose maintenance products, in support of our focus on innovation and renovation of our products. Research and development costs for the fiscal years ended August 31, 2012 and 2011 were \$5.1 million and \$5.5 million, respectively. Our product development team, Team Tomorrow, engages in consumer research, product development, current product improvement and testing activities. This team leverages its development capabilities by partnering with a network of outside resources including our current and prospective outsource suppliers. The level and types of expenses incurred within research and development can vary or offset each other from period to period depending upon the types of activities being performed by Team Tomorrow.

Advertising and Sales Promotion Expenses

Advertising and sales promotion expenses for the fiscal year ended August 31, 2012 increased \$0.6 million, or 2%, to \$25.7 million from \$25.1 million for the prior fiscal year. As a percentage of net sales, these expenses remained constant at 7.5% for the fiscal years ended August 31, 2012 and 2011. The increase in advertising and sales promotion expenses was due to a higher level of advertising and promotional activities period over period, primarily in our Asia-Pacific segment. Changes in foreign currency exchange rates did not have a material impact on advertising and sales promotion expenses for the fiscal year ended August 31, 2012 compared to the prior fiscal year. Investment in global advertising and sales promotion expenses for fiscal year 2013 is expected to be in the range of 7.0% to 8.0% of net sales.

As a percentage of net sales, advertising and sales promotion expenses may fluctuate period to period based upon the type of marketing activities we employ and the period in which the costs are incurred. Total promotional costs recorded as a reduction to sales were \$20.1 million and \$18.8 million for the fiscal years ended August 31, 2012 and 2011, respectively. Therefore, our total investment in advertising and sales promotion activities totaled \$45.8 million and \$43.9 million for the fiscal years ended August 31, 2012 and 2011, respectively.

Amortization of Definite-lived Intangible Assets Expense

Amortization of our definite-lived intangible assets was \$2.1 million and \$1.5 million for the fiscal years ended August 31, 2012 and 2011, respectively. The increase in amortization for the fiscal year ended August 31, 2012 was related to the additional amortization expense of 2000 Flushes, Spot Shot and 1001 trade names starting March 1, 2011 as these intangible assets were changed to definite-lived from indefinite-lived intangible assets at February 28, 2011. The amortization for the fiscal year ended August 31, 2011 related only to the Carpet Fresh and X-14 trade names and certain non-contractual customer relationships from the acquisition of the 1001 line of products in fiscal year 2004.

Income from Operations by Segment

The following table summarizes income from operations by segment (in thousands, except percentages):

	Fiscal Year Ended August 31,			
	2012	2011	Change from Prior Year	
			Dollars	Percent
Americas ⁽¹⁾	\$19,747	\$19,777	\$ (30)	—
Europe	23,524	27,846	(4,322)	(16)%
Asia-Pacific	8,458	6,509	1,949	30%
	<u>\$51,729</u>	<u>\$54,132</u>	<u>\$(2,403)</u>	<u>(4)%</u>

⁽¹⁾ Income from operations for the Americas segment includes corporate expenses, none of which are allocated to the other segments.

Americas

Income from operations for the Americas segment remained relatively constant year over year. Although sales in the Americas segment increased \$7.5 million for the fiscal year ended August 31, 2012 compared to the prior fiscal year, gross profit as a percentage of net sales decreased from 50.4% to 48.8%. This decrease in the gross margin from year to year was primarily due to increased costs of petroleum-based materials and higher warehousing and freight costs in connection with our North American supply chain restructure project, which were partially offset by the positive impact of sales price increases year over year. The higher level of sales for the Americas segment from year to year was accompanied by an increase in total operating expenses of \$1.1 million. Operating income as a percentage of net sales remained relatively constant at 11.1% for fiscal year 2012 compared to 11.7% for fiscal year 2011.

Europe

Income from operations for the Europe segment decreased to \$23.5 million, down \$4.3 million, or 16%, for the fiscal year ended August 31, 2012 compared to the prior fiscal year, primarily due to a decrease in sales of \$8.5 million. As a percentage of net sales, gross profit for the Europe segment decreased slightly to 51.3% for the fiscal year ended August 31, 2012 compared to 51.5% for the prior fiscal year. Although total operating expenses decreased \$0.3 million from year to year, operating income as a percentage of net sales decreased from 22.2% for the fiscal year ended August 31, 2011 to 20.1% for the fiscal year ended August 31, 2012.

Asia-Pacific

Income from operations for the Asia-Pacific segment increased to \$8.5 million, up \$1.9 million, or 30%, for the fiscal year ended August 31, 2012 compared to the prior fiscal year. The increase in the income from operations for our Asia-Pacific segment was primarily due to an increase in sales of \$7.3 million and an increase in the gross

profit as a percentage of net sales from 43.8% to 45.3% year over year. Gross margin for the Asia-Pacific segment increased from year to year primarily due to the combined effects of lower manufacturing costs and price increases in the Asia-Pacific region, which were partially offset by increased costs of petroleum-based materials. The higher level of sales for the Asia-Pacific segment from year to year was accompanied by an increase in total operating expenses of \$1.9 million. As a percentage of net sales, operating income increased from 15.8% for the fiscal year ended August 31, 2011 to 17.5% for the fiscal year ended August 31, 2012.

Non-Operating Items

The following table summarizes non-operating income and expenses for our consolidated operations (in thousands):

	Fiscal Year Ended August 31,		
	2012	2011	Change
Interest income	\$ 261	\$ 228	\$ 33
Interest expense	\$ 729	\$ 1,076	\$ (347)
Other (expense) income, net	\$ (348)	\$ 247	\$ (595)
Provision for income taxes	\$15,428	\$17,098	\$(1,670)

Interest Income

Interest income remained relatively constant for the fiscal year ended August 31, 2012 compared to the prior fiscal year.

Interest Expense

Interest expense decreased \$0.3 million for the fiscal year ended August 31, 2012 compared to the prior fiscal year due to lower interest rates on the outstanding balance on the revolving credit facility as compared to the interest rate on the remaining balance on the term loan. The final principal payment of \$10.7 million on the term loan was made in October 2011.

Other (Expense) Income, Net

Other (expense) income, net changed by \$0.6 million for the fiscal year ended August 31, 2012 compared to the prior fiscal year primarily due to net foreign currency exchange losses which were recorded for the fiscal year ended August 31, 2012 compared to net foreign currency exchange gains which were recorded in the prior fiscal year.

Provision for Income Taxes

The provision for income taxes was 30.3% of income before income taxes for the fiscal year ended August 31, 2012 compared to 31.9% for the prior fiscal year. The decrease in the effective income tax rate from period to period was primarily due to a reduction in the state effective tax rate as a result of a recent California tax law change. The decrease from period to period was also attributable to the benefit from certain foreign earnings generated in lower tax rate jurisdictions, favorable net change in liability for uncertain tax positions and the increased benefit from the deduction for qualified domestic production activities.

Net Income

Net income was \$35.5 million, or \$2.20 per common share on a fully diluted basis, for fiscal year 2012 compared to \$36.4 million, or \$2.14 per common share on a fully diluted basis, for the prior fiscal year. Changes in foreign currency exchange rates year over year had an unfavorable impact of \$0.2 million on net income for fiscal year 2012. Thus, on a constant currency basis, net income for fiscal year 2012 would have been \$35.7 million.

Fiscal Year Ended August 31, 2011 Compared to Fiscal Year Ended August 31, 2010

Operating Items

The following table summarizes operating data for our consolidated operations (in thousands, except percentages and per share amounts):

	Fiscal Year Ended August 31,			
	2011	2010	Change from Prior Year	
			Dollars	Percent
Net sales:				
Multi-purpose maintenance products	\$278,763	\$258,095	\$20,668	8%
Homecare and cleaning products	57,646	63,421	(5,775)	(9)%
Total net sales	336,409	321,516	14,893	5%
Cost of products sold	168,297	156,210	12,087	8%
Gross profit	168,112	165,306	2,806	2%
Operating expenses	113,980	110,108	3,872	4%
Income from operations	\$ 54,132	\$ 55,198	\$ (1,066)	(2)%
Net income	\$ 36,433	\$ 36,095	\$ 338	1%
Earnings per common share – diluted	\$ 2.14	\$ 2.15	\$ (0.01)	—

Net Sales by Segment

The following table summarizes net sales by segment (in thousands, except percentages):

	Fiscal Year Ended August 31,			
	2011	2010	Change from Prior Year	
			Dollars	Percent
Americas	\$169,881	\$179,867	\$ (9,986)	(6)%
Europe	125,400	110,367	15,033	14%
Asia-Pacific	41,128	31,282	9,846	31%
	\$336,409	\$321,516	\$14,893	5%

Americas

The following table summarizes net sales by product line for the Americas segment (in thousands, except percentages):

	Fiscal Year Ended August 31,			
	2011	2010	Change from Prior Year	
			Dollars	Percent
Multi-purpose maintenance products	\$127,507	\$129,834	\$ (2,327)	(2)%
Homecare and cleaning products	42,374	50,033	(7,659)	(15)%
	\$169,881	\$179,867	\$ (9,986)	(6)%
% of consolidated net sales	51%	56%		

Sales in the Americas segment, which includes the U.S., Canada and Latin America, decreased to \$169.9 million, down \$10.0 million, or 6%, for the fiscal year ended August 31, 2011 compared to fiscal year 2010. Changes in foreign currency exchange rates did not have a material impact on sales for the fiscal year ended August 31, 2011 compared to fiscal year 2010.

Sales of multi-purpose maintenance products in the Americas segment decreased \$2.3 million, or 2%, for the fiscal year ended August 31, 2011 compared to fiscal year 2010. This sales decrease was primarily driven by lower sales of WD-40 products in the U.S., which were down 6% for the fiscal year ended August 31, 2011 compared to fiscal year 2010 primarily due to reduced product offerings and lost promotional opportunities with certain of our key customers. These decreased sales of WD-40 products in the U.S. were partially offset by higher sales of these same products in Latin America and in Canada, which were both up by 14% primarily due to new distribution, a higher level of replenishment orders and increased promotional activities from period to period.

Sales of homecare and cleaning products in the Americas segment decreased \$7.7 million, or 15%, for the fiscal year ended August 31, 2011 compared to fiscal year 2010. Although we remained focused on stabilizing the sales of our homecare and cleaning products, sales of these products continued to be negatively impacted by competition, category declines, lost distribution and reduced product offerings. In addition, sales of such products were negatively impacted by the volatility of orders from and the level of promotional programs with certain customers, particularly those in the warehouse club and mass retail channels. Sales of homecare and cleaning products in the U.S., which is where the majority of such sales originate, decreased 18% from period to period. This sales decrease was driven primarily by lower sales of Spot Shot products, which were down 27% in the U.S. for the fiscal year ended August 31, 2011 compared to the prior fiscal year. This decrease in Spot Shot sales was due to several factors, including reduced promotional opportunities with our customers, specifically those within the warehouse club channel, category declines, lost distribution and the effect of competitive factors. Sales of our automatic toilet bowl cleaners in the Americas segment also decreased \$1.3 million, or 8%, from period to period due to competitive factors, category declines and lost distribution. Also contributing to the overall decline in sales of the homecare and cleaning products in the Americas segment was a decrease in the sales of our Carpet Fresh and X-14 brands, which totaled \$1.1 million, or 14%, and was primarily due to a lower level of product offerings carried by certain of our customers and the effect of competitive factors.

For the Americas segment, 79% of sales came from the U.S. and 21% of sales came from Canada and Latin America combined for the fiscal year ended August 31, 2011, compared to the distribution for the fiscal year ended August 31, 2010, when 83% of sales came from the U.S. and 17% of sales came from Canada and Latin America combined.

Europe

The following table summarizes net sales by product line for the Europe segment (in thousands, except percentages):

	Fiscal Year Ended August 31,			
	2011	2010	Change from Prior Year	
			Dollars	Percent
Multi-purpose maintenance products	\$116,461	\$102,195	\$14,266	14%
Homecare and cleaning products	8,939	8,172	767	9%
	<u>\$125,400</u>	<u>\$110,367</u>	<u>\$15,033</u>	<u>14%</u>
% of consolidated net sales	<u>37%</u>	<u>34%</u>		

Sales in the Europe segment increased to \$125.4 million, up \$15.0 million, or 14%, for the fiscal year ended August 31, 2011 compared to fiscal year 2010. Changes in foreign currency exchange rates for the fiscal year ended August 31, 2011 compared to fiscal year 2010 had a favorable impact on sales. Sales for fiscal year 2011 translated at the exchange rates in effect for fiscal year 2010 would have been \$123.1 million in the Europe segment. Thus, on a constant currency basis, sales would have increased by \$12.7 million, or 12%, for fiscal year 2011 compared to fiscal year 2010.

The countries in Europe where we sell through a direct sales force include the U.K., Italy, France, Iberia (which includes Spain and Portugal) and the Germanics sales region (which includes Germany, Austria, Denmark, Holland, Switzerland and Belgium). Overall, sales from direct markets increased \$9.9 million, or 13%, for the fiscal year ended August 31, 2011 compared to fiscal year 2010. We experienced sales growth throughout the Europe segment for the fiscal year ended August 31, 2011 compared to fiscal year 2010, with percentage increases in sales as follows: Italy, 31%; U.K., 17%; France, 13%; Germanics sales region, 10%; and Iberia, 1%.

The sales growth in the direct markets throughout the Europe segment was primarily due to new distribution, the continued growth of the WD-40 Smart Straw and 3-IN-ONE products and our increased focus on the industrial channel. In addition, sales in the direct markets were favorably impacted by the ongoing growth of our base business, increased volumes through existing distribution channels and a higher level of promotional activities. Sales from direct markets accounted for 68% of the Europe segment's sales for the fiscal year ended August 31, 2011 compared to 67% of the Europe segment's sales for fiscal year 2010.

In the countries in which we sell through local distributors, sales increased \$5.1 million, or 14%, for the fiscal year ended August 31, 2011 compared to fiscal year 2010 primarily due to increased sales of WD-40 products in Eastern Europe and Northern Europe as a result of our continued focus on the growth of our base business. The distributor markets accounted for 32% of the total Europe segment sales for the fiscal year ended August 31, 2011, compared to 33% for fiscal year 2010.

Asia-Pacific

The following table summarizes net sales by product line for the Asia-Pacific segment (in thousands, except percentages):

	Fiscal Year Ended August 31,			
	2011	2010	Change from Prior Year	
			Dollars	Percent
Multi-purpose maintenance products	\$34,795	\$26,066	\$8,729	33%
Homecare and cleaning products	6,333	5,216	1,117	21%
	<u>\$41,128</u>	<u>\$31,282</u>	<u>\$9,846</u>	<u>31%</u>
% of consolidated net sales	<u>12%</u>	<u>10%</u>		

Sales in the Asia-Pacific segment, which includes Australia, China and other countries in the Asia region, increased to \$41.1 million, up \$9.8 million, or 31%, for the fiscal year ended August 31, 2011 compared to fiscal year 2010. Changes in foreign currency exchange rates for the fiscal year ended August 31, 2011 compared to fiscal year 2010 had a favorable impact on sales. Sales for fiscal year 2011 translated at the exchange rates in effect for fiscal year 2010 would have been \$38.8 million in the Asia-Pacific segment. Thus, on a constant currency basis, sales would have increased by \$7.5 million, or 24%, for the fiscal year ended August 31, 2011 compared to fiscal year 2010.

Sales in Asia, which represented 61% of the total sales in the Asia-Pacific segment, increased \$6.0 million, or 31%, for the fiscal year ended August 31, 2011 compared to fiscal year 2010 primarily due to the ongoing growth of our base business throughout the Asia region. The distributor markets in the Asia region experienced a sales increase of \$3.1 million, or 24%, for the fiscal year ended August 31, 2011 compared to fiscal year 2010, primarily due to the continued growth of the WD-40 products throughout the distributor markets, including those in Indonesia, India and Taiwan. Sales in China increased \$2.9 million, or 46%, for the fiscal year ended August 31, 2011 compared to fiscal year 2010 due to the ongoing growth of our base business and significant promotional activities that occurred during the first and second quarters of fiscal year 2011, which were aimed at building user awareness and distribution in the China region.

Sales in Australia increased \$3.8 million, or 32%, for the fiscal year ended August 31, 2011 compared to fiscal year 2010 partially due to the favorable impact of changes in foreign currency exchange rates. On a constant currency basis, sales would have increased \$1.8 million, or 15%, for fiscal year 2011 compared to fiscal year 2010 primarily due to improved economic conditions, promotional activities, new distribution and the ongoing growth of our base business.

Gross Profit

Gross profit increased to \$168.1 million for fiscal year 2011 compared to \$165.3 million for fiscal year 2010. As a percentage of net sales, gross profit decreased to 50.0% for fiscal year 2011 compared to 51.4% for fiscal year 2010 due to a variety of items which partially offset each other, including costs associated with petroleum-based materials and aerosol cans, other raw materials and manufacturing costs, sales mix changes, changes in foreign currency exchange rates, sales price increases and the level of discounts offered to our customers.

Gross margin was negatively impacted by 1.4 percentage points due to the combined effects of changes in the costs of petroleum-based materials and aerosol cans from period to period. There is often a delay of one quarter or more before changes in such raw material costs impact cost of products sold due to production and inventory life cycles. As a result of an aerosol can price increase that our suppliers implemented in January 2011 and the increase in the costs associated with petroleum-based materials which started in the second quarter of our fiscal year 2011, our gross margin from period to period was negatively impacted. We expect that petroleum-based material costs will continue to be volatile and that volatility will impact our cost of products sold in future periods. In addition to increased costs associated with petroleum-based materials and aerosol cans, we also experienced higher costs associated with other raw materials and manufacturing costs, largely related to our Europe segment, which negatively impacted gross margin by 0.3 percentage points from period to period.

Sales mix changes negatively impacted gross margin by 0.5 percentage points for fiscal year 2011 compared to fiscal year 2010. In addition, changes in foreign currency exchange rates negatively impacted gross margin by 0.2 percentage points.

Partially offsetting the aforementioned unfavorable impacts to gross margin were sales price increases and a lower level of advertising, promotional and other discounts offered to our customers from period to period. Sales price increases implemented in certain locations and markets during fiscal year 2011 positively affected gross margin by 0.5 percentage points. Advertising, promotional and other discounts decreased during fiscal year 2011 compared to fiscal year 2010 positively impacting gross margin by 0.3 percentage points. The decrease in such discounts was due to the fact that a lower percentage of sales during fiscal year 2011 was subject to promotional allowances compared to fiscal year 2010. In general, the timing of advertising, promotional and other discounts, which are recorded as a reduction to sales may cause fluctuations in gross margin from period to period. Examples of advertising, promotional and other discounts include coupon redemptions, consideration and allowances given to retailers for space and/or favorable display positions in their stores, co-operative advertising and promotional activity, volume discounts and other one-time or ongoing incentives. In addition, other miscellaneous items when combined positively impacted gross margin by 0.2 percentage points from period to period.

Note that our gross profits and gross margins may not be comparable to those of other reporting entities, since some entities include all costs related to distribution of their products in cost of products sold, whereas we exclude the portion associated with amounts paid to third parties for distribution to our customers from our contract manufacturers and include these costs in selling, general and administrative expenses. These costs totaled \$15.0 million and \$13.6 million for the fiscal years ended August 31, 2011 and 2010, respectively.

Selling, General and Administrative Expenses

Selling, general and administrative (“SG&A”) expenses remained constant at \$87.3 million for the fiscal years ended August 31, 2011 and 2010. As a percentage of net sales, SG&A expenses decreased to 26.0% for fiscal year 2011 from 27.2% for fiscal year 2010. Although total SG&A expenses remained constant year over year,

various components within SG&A expenses increased for fiscal year 2011 compared to fiscal year 2010. These increases in SG&A expenses were largely attributable to higher professional services costs, increased freight costs, a higher level of expenses associated with travel and meetings, increased office overhead costs and the unfavorable impact of changes in foreign currency exchange rates. Professional services costs increased \$1.5 million due to higher legal and consulting fees. Freight costs increased \$1.0 million primarily due to increased diesel costs and higher sales volumes for fiscal year 2011 compared to fiscal year 2010. Travel and meeting expenses increased \$0.8 million due to a higher level of travel expenses associated with the ongoing support of our strategic initiatives. Office overhead expenses increased \$0.5 million primarily due to repairs required at our Memphis warehouse facility. Changes in foreign currency exchange rates increased SG&A expenses by \$1.4 million for fiscal year 2011 compared to fiscal year 2010. Other miscellaneous expenses, which primarily include broker sales commissions and bad debt expense increased by \$0.1 million period over period.

The increases in SG&A expenses described above were fully offset by lower employee-related costs from period to period. Employee-related costs, which include salaries, bonuses, profit sharing, stock-based compensation and other fringe benefits, decreased \$5.3 million for fiscal year 2011 compared to fiscal year 2010 primarily due to lower bonus expense. In fiscal year 2011, certain of our business segments did not achieve the sales and other profit performance metrics required to trigger payout of bonuses. As a result, bonus expense and the related fringe benefit expense decreased \$7.6 million for fiscal year 2011 compared to fiscal year 2010. This decrease in bonus expense from period to period was slightly offset by a \$2.3 million increase in employee-related costs as a result of increased staffing levels in fiscal year 2011 and the annual compensation increases, which were implemented in the first quarter of fiscal year 2011 and not in fiscal year 2010.

We continued our research and development investment, the majority of which is associated with our multi-purpose maintenance products, in support of our focus on innovation and renovation of our products. Research and development costs for the fiscal years ended August 31, 2011 and 2010 were \$5.5 million and \$5.3 million, respectively. The level and types of expenses incurred within research and development can vary or offset each other from period to period depending upon the types of activities being performed by our product development team, Team Tomorrow.

Advertising and Sales Promotion Expenses

Advertising and sales promotion expenses for fiscal year 2011 increased \$3.0 million, or 14%, to \$25.1 million from \$22.1 million for fiscal year 2010. As a percentage of net sales, these expenses increased to 7.5% for fiscal year 2011 from 6.9% for fiscal year 2010. The increase in advertising and sales promotion expenses was due to a higher level of advertising and promotional activities period over period, primarily in our Europe and Asia-Pacific segments. Changes in foreign currency exchange rates had an unfavorable impact of \$0.3 million on advertising and sales promotion expenses for fiscal year 2011 compared to fiscal year 2010. Thus, on a constant currency basis, advertising and sales promotion expenses for fiscal year 2011 would have been \$24.8 million resulting in an increase in such expenses of \$2.7 million period over period.

As a percentage of net sales, advertising and sales promotion expenses may fluctuate period to period based upon the type of marketing activities we employ and the period in which the costs are incurred. Total promotional costs recorded as a reduction to sales were \$18.8 million and \$18.4 million for the fiscal years ended August 31, 2011 and 2010, respectively. Therefore, our total investment in advertising and sales promotion activities totaled \$43.9 million and \$40.5 million for the fiscal years ended August 31, 2011 and 2010, respectively.

Amortization of Definite-lived Intangible Assets Expense

Amortization of our definite-lived intangible assets was \$1.5 million and \$0.7 million for the fiscal years ended August 31, 2011 and 2010, respectively. The increase in amortization for the fiscal year ended August 31, 2011 was related to the 2000 Flushes, Spot Shot and 1001 trade names which were changed to definite-lived intangible assets from indefinite-lived intangible assets at February 28, 2011. The amortization for the fiscal year ended August 31, 2010 related only to the Carpet Fresh and X-14 trade names and certain non-contractual customer relationships from the acquisition of the 1001 line of products in fiscal year 2004.

Beginning March 1, 2011, the 1001 trade name is being amortized on a straight-line basis over its estimated useful life of twenty years, and the 2000 Flushes and Spot Shot trade names are being amortized over their estimated useful lives of seventeen years. The non-contractual customer relationships intangible asset and the 1001 trade name are recorded and amortized in Pounds Sterling and are converted to U.S. dollars for reporting purposes. Therefore, a portion of the fluctuation in amortization expense from period to period is the result of changes in foreign currency exchange rates.

Income from Operations by Segment

The following table summarizes income from operations by segment (in thousands, except percentages):

	Fiscal Year Ended August 31,			
	2011	2010	Change from Prior Year	
			Dollars	Percent
Americas ⁽¹⁾	\$19,777	\$25,095	\$(5,318)	(21)%
Europe	27,846	25,075	2,771	11%
Asia-Pacific	6,509	5,028	1,481	29%
	<u>\$54,132</u>	<u>\$55,198</u>	<u>\$(1,066)</u>	<u>(2)%</u>

⁽¹⁾ Income from operations for the Americas segment includes corporate expenses, none of which are allocated to the other segments.

Americas

Income from operations for the Americas segment decreased to \$19.8 million, down \$5.3 million, or 21%, for fiscal year 2011 compared to fiscal year 2010. The decrease in the income from operations for our Americas segment was primarily due to a decrease in sales of \$10.0 million and a slight decrease in the gross profit as a percentage of net sales from 50.7% to 50.4% year over year. Despite the lower level of sales, there were no significant changes in operating expenses for the Americas segment from year to year, resulting in a decrease in operating income as a percent of net sales from 14.0% for the year ended August 31, 2010 to 11.7% for the year ended August 31, 2011.

Europe

Income from operations for the Europe segment increased to \$27.8 million, up \$2.8 million, or 11%, for fiscal year 2011 compared to fiscal year 2010, primarily due to an increase in sales of \$15.0 million which was partially offset by a 2.9 percentage point decrease in the gross margin from period to period. As a percentage of net sales, gross profit for the Europe segment decreased to 51.5% for fiscal year 2011 compared to 54.4% for fiscal year 2010 primarily due to the higher costs of petroleum-based materials, sales mix changes and increased manufacturing costs in Europe. The higher level of sales for the Europe segment from year to year was accompanied by an increase in total operating expenses of \$1.8 million. Operating income as a percent of net sales remained relatively constant at 22.2% for fiscal year 2011 compared to 22.7% for fiscal year 2010.

Asia-Pacific

Income from operations for the Asia-Pacific segment increased to \$6.5 million, up \$1.5 million, or 29%, for fiscal year 2011 compared to fiscal year 2010. The increase in the income from operations for our Asia-Pacific segment was primarily due to an increase in sales of \$9.8 million which was offset by a decrease in the gross profit as a percentage of net sales from 44.9% to 43.8% year over year. The higher level of sales for the Asia-Pacific segment from year to year was accompanied by an increase in total operating expenses of \$2.5 million. Operating income as a percent of net sales remained relatively constant at 15.8% for fiscal year 2011 compared to 16.1% for fiscal year 2010.

Non-Operating Items

The following table summarizes non-operating income and expenses for our consolidated operations (in thousands):

	Fiscal Year Ended August 31,		
	2011	2010	Change
Interest income	\$ 228	\$ 174	\$ 54
Interest expense	\$ 1,076	\$ 1,726	\$(650)
Other income (expense), net	\$ 247	\$ (89)	\$ 336
Provision for income taxes	\$17,098	\$17,462	\$(364)

Interest Income

Interest income increased \$0.1 million for fiscal year 2011 compared to fiscal year 2010 primarily due to slightly higher average cash balances and interest rates during fiscal year 2011 compared to fiscal year 2010.

Interest Expense

Interest expense decreased \$0.7 million for fiscal year 2011 compared to fiscal year 2010 due to the lower principal balance on long-term borrowings resulting from the annual \$10.7 million principal payment made in October 2010.

Other Income (Expense), Net

Other income (expense), net increased by \$0.3 million for fiscal year 2011 compared to fiscal year 2010 due to higher foreign currency exchange gains in fiscal year 2011 as compared to foreign currency exchange losses in fiscal year 2010 primarily related to the Euro and Pound Sterling.

Provision for Income Taxes

The provision for income taxes was 31.9% of income before income taxes for fiscal year 2011 compared to 32.6% for fiscal year 2010. The decrease in the effective income tax rate from period to period was primarily due to the increase in the percentage benefit from the qualified domestic production deduction which increased from 6% to 9% of qualified production activities income from period to period. The decrease was also attributable to the reinstatement of the research and experimentation credit during the fiscal year ended August 31, 2011 as well as the increasing proportion of the Company's earnings which are foreign and are taxed at lower rates.

Net Income

Net income was \$36.4 million, or \$2.14 per common share on a fully diluted basis, for fiscal year 2011 compared to \$36.1 million, or \$2.15 per common share on a fully diluted basis, for fiscal year 2010. Changes in foreign currency exchange rates year over year had a favorable impact of \$0.8 million on net income for fiscal year 2011. Thus, on a constant currency basis, net income for fiscal year 2011 would have been \$35.6 million.

Performance Measures and Non-GAAP Reconciliations

In managing our business operations and assessing our financial performance, we supplement the information provided by our financial statements with certain non-GAAP performance measures. These performance measures are part of our 50/30/20 rule, which includes gross margin, cost of doing business, and EBITDA, the latter two of which are non-GAAP performance measures. Cost of doing business is defined as total operating expenses less amortization of definite-lived intangible assets and depreciation in operating departments and

EBITDA is defined as net income (loss) before interest, income taxes, depreciation and amortization. We target our gross margin to be at or above 50% of net sales, our cost of doing business to be at or below 30% of net sales, and our EBITDA to be at or above 20% of net sales. Although our results for these performance measures may vary from period to period depending on various factors, including economic conditions and our level of investment in activities for the future, we continue to focus on and work towards achievement of our 50/30/20 targets over the long-term.

The following table summarizes the results of these performance measures:

	Fiscal Year Ended August 31,		
	2012	2011	2010
Gross margin	49%	50%	51%
Cost of doing business as a percentage of net sales	33%	33%	34%
EBITDA as a percentage of net sales	16%	17%	18%

We use the performance measures above to establish financial goals and to gain an understanding of the comparative performance of the Company from period to period. We believe that these measures provide our shareholders with additional insights into the Company's results of operations and how we run our business. The non-GAAP financial measures are supplemental in nature and should not be considered in isolation or as alternatives to net income, income from operations or other financial information prepared in accordance with GAAP as indicators of the Company's performance or operations. Reconciliations of these non-GAAP financial measures to our financial statements as prepared in accordance with GAAP are as follows:

Cost of Doing Business (in thousands, except percentages)

	Fiscal Year Ended August 31,		
	2012	2011	2010
Total operating expenses – GAAP	\$116,753	\$113,980	\$110,108
Amortization of definite-lived intangible assets	(2,133)	(1,537)	(724)
Depreciation (in operating departments)	(1,597)	(1,637)	(1,560)
Cost of doing business	<u>\$113,023</u>	<u>\$110,806</u>	<u>\$107,824</u>
Net sales	\$342,784	\$336,409	\$321,516
Cost of doing business as a percentage of net sales	33%	33%	34%

EBITDA (in thousands, except percentages)

	Fiscal Year Ended August 31,		
	2012	2011	2010
Net income – GAAP	\$ 35,485	\$ 36,433	\$ 36,095
Provision for income taxes	15,428	17,098	17,462
Interest income	(261)	(228)	(174)
Interest expense	729	1,076	1,726
Amortization of definite-lived intangible assets	2,133	1,537	724
Depreciation	2,736	2,849	3,524
EBITDA	<u>\$ 56,250</u>	<u>\$ 58,765</u>	<u>\$ 59,357</u>
Net sales	\$342,784	\$336,409	\$321,516
EBITDA as a percentage of net sales	16%	17%	18%

Liquidity and Capital Resources

Overview

The Company's financial condition and liquidity remain strong. Net cash provided by operations was \$34.2 million for fiscal year 2012 compared to \$30.0 million for fiscal year 2011. We believe we continue to be well positioned to weather any uncertainty in the capital markets and global economy due to our strong balance sheet

and efficient business model, along with our growing and diversified global revenues. We continue to manage all aspects of our business including, but not limited to, monitoring the financial health of our customers, suppliers and other third-party relationships, implementing gross margin enhancement strategies and developing new opportunities for growth.

Our principal sources of liquidity are our existing cash and cash equivalents, cash generated from operations and cash available from our revolving credit facility with Bank of America, N.A. ("Bank of America"). To date, we have used the proceeds of the revolving credit facility for our stock repurchases and plan to continue using such proceeds for our general working capital needs and stock repurchases under any existing board approved share buy-back plans. During the fiscal year ended August 31, 2012, we borrowed \$114.6 million U.S. dollars under the revolving credit facility and repaid \$69.6 million along with the associated interest of \$0.4 million with cash on hand. In addition, we periodically have extended the maturity date of draws on the line of credit, however the balance on these draws has remained within a short-term classification as a result of these extensions. As of August 31, 2012, we had a \$45.0 million outstanding balance on the revolving credit facility. The revolving credit facility agreement requires us to maintain minimum consolidated earnings before interest, income taxes, depreciation and amortization ("EBITDA") of \$40.0 million, measured on a trailing twelve month basis, at each reporting period. At August 31, 2012, we were in compliance with all debt covenants as required by the revolving credit facility and believe it is unlikely we will fail to meet any of these covenants in the foreseeable future. We would need to have a significant decrease in sales and/or a significant increase in expenses in order for us to not meet the debt covenants.

The \$75.0 million, 7.28% fixed-rate term loan, had a 10-year term, which originated in October 2001 and was financed through Prudential Capital. On October 17, 2011, we paid off the final balance due under this term loan of \$10.7 million and the associated interest of \$0.2 million with cash on hand.

At August 31, 2012, we had a total of \$69.7 million in cash and cash equivalents. Of this balance, \$54.3 million was held in Europe, Australia and China in foreign currencies. It is our intention to indefinitely reinvest all current and future foreign earnings at these locations in order to ensure sufficient working capital, expand operations and fund foreign acquisitions in these locations. We believe that our future cash from domestic operations together with our access to funds available under our unsecured revolving credit facility will provide adequate resources to fund both short-term and long-term operating requirements, capital expenditures, share repurchases, dividend payments, acquisitions and new business development activities in the United States. Although we hold a significant amount of cash outside of the United States and the draws on the credit facility to date have been made by our entity in the United States, we do not foresee any issues with repaying or refinancing these loans with domestically generated funds since we closely monitor the use of this credit facility. In the event that management elects for any reason in the future to repatriate some or all of the foreign earnings that were previously deemed to be indefinitely reinvested outside of the United States, we would incur additional tax expense upon such repatriation.

We believe that our existing consolidated cash and cash equivalents at August 31, 2012, the liquidity provided by our \$75.0 million revolving credit facility and our anticipated cash flows from operations will be sufficient to meet our projected consolidated operating and capital requirements for at least the next twelve months. We consider various factors when reviewing liquidity needs and plans for available cash on hand including: future debt, principal and interest payments, future capital expenditure requirements, future share repurchases, future dividend payments (which are determined on a quarterly basis by the Company's Board of Directors), alternative investment opportunities, debt covenants and any other relevant considerations currently facing our business.

Cash Flows

The following table summarizes our cash flows by category for the periods presented (in thousands):

	Fiscal Year Ended August 31,		
	2012	2011	2010
Net cash provided by operating activities	\$ 34,249	\$ 30,009	\$ 56,424
Net cash used in investing activities	(3,113)	(3,220)	(1,553)
Net cash used in financing activities	(16,082)	(48,933)	(23,575)
Effect of exchange rate changes on cash and cash equivalents	(1,728)	2,609	(1,324)
Net increase (decrease) in cash and cash equivalents	<u>\$ 13,326</u>	<u>\$(19,535)</u>	<u>\$ 29,972</u>

Operating Activities

Net cash provided by operating activities increased \$4.2 million to \$34.2 million for fiscal year 2012 from \$30.0 million for fiscal year 2011. This increase from period to period was due to changes in operating assets and liabilities, the most significant of which were changes in inventories, trade accounts receivable, accrued payroll and related expenses and accounts payable and accrued liabilities.

The increase in inventories from period to period was primarily attributable to increased purchases of product that we chose to make from our third-party contract manufacturers in support of the redesign of our North American supply chain architecture. Not only do we expect that this new supply chain structure will result in higher levels of inventory than we have held in prior periods since we are moving product more quickly into our third-party distribution centers which is company-owned inventory, but we also expect that our inventory levels will fluctuate from period to period as we complete the transition phases of this redesign project. In addition, inventories increased due to \$3.6 million of product (including raw materials, components and finished products) that we are obligated to purchase from one of our third-party contract manufacturers, IQ Products Company, in conjunction with the unanticipated termination of our business relationship with them which is the subject of pending litigation. Trade accounts receivable balances decreased for fiscal year 2012 whereas the balances increased for fiscal year 2011 primarily due to higher sales volumes in the final months of fiscal year 2011 compared to fiscal year 2010 and the timing of payments received from customers from period to period. Accrued payroll and related expenses decreased from period to period primarily due to the payment of fiscal year 2011 bonuses during the first quarter of fiscal year 2012 which were significantly lower than those paid in the prior year for fiscal year 2010 bonuses and lower bonus accruals in fiscal year 2012. Accounts payable and accrued liabilities increased from period to period primarily due to the increased inventory purchases related to the new supply chain architecture, the termination of the business relationship with IQ Products Company and the timing of payments to suppliers.

Net cash provided by operating activities decreased \$26.4 million to \$30.0 million for fiscal year 2011 from \$56.4 million for fiscal year 2010. Cash provided by operating activities decreased for fiscal year 2011 as compared to fiscal year 2010 due to changes in operating assets and liabilities, primarily changes in trade accounts receivable, accrued payroll and related expenses, inventories, accounts payable and accrued liabilities. Trade accounts receivable increased primarily due to higher sales volumes in the fourth quarter of fiscal year 2011 compared to the fourth quarter of fiscal year 2010. Accrued payroll and related expenses decreased from year to year primarily due to the payment of fiscal year 2010 bonuses during the first quarter of fiscal year 2011 which were significantly higher than those paid in the prior fiscal year and lower bonus accruals for fiscal year 2011. Inventories increased due to additional purchases in support of the WD-40 Specialist line, which was launched in September 2011, and promotions in the future quarters. Accounts payable and accrued liabilities increased from year to year due primarily to the increase in accounts payable balances resulting from increased business activities and the timing of payments.

Also contributing to the overall change in cash provided by operating activities for both fiscal year 2012 compared to fiscal 2011 and fiscal year 2011 compared to fiscal year 2010 was the impact of changes in various

account balances related to income taxes from period to period as a result of the year-end provision for income taxes. These entries resulted in changes to account balances for other assets, deferred tax assets and liabilities, income taxes payable and deferred and other long-term liabilities.

Investing Activities

Net cash used for investing activities decreased \$0.1 million to \$3.1 million for fiscal year 2012 from \$3.2 million for fiscal year 2011 due primarily to higher purchases of property and equipment of \$0.9 million, which were more than offset by higher proceeds from the sales of property and equipment of \$1.0 million, the majority of which came from the sale of our warehouse facility located in Memphis, Tennessee during the first quarter of fiscal year 2012.

Net cash used for investing activities increased \$1.6 million to \$3.2 million for fiscal year 2011 from \$1.6 million for fiscal year 2010 due primarily to higher purchases of property and equipment. Purchases of property and equipment during fiscal year 2011 were primarily for machinery and equipment, computer equipment and software. Also contributing to the increase in net cash used for investing activities was the purchase of \$0.5 million in short-term investments during fiscal year 2011.

Financing Activities

Net cash used in financing activities decreased \$32.8 million to \$16.1 million for fiscal year 2012 from \$48.9 million for fiscal year 2011 driven in part by the \$114.6 million in draws that we executed against our revolving credit facility with Bank of America during fiscal year 2012. This increase in cash was significantly offset by \$69.6 million in repayments made on this revolving credit facility and a \$13.2 million decrease in proceeds from the issuance of common stock upon the exercise of stock options from year to year. In addition, there was a \$1.6 million decrease in treasury stock purchases during fiscal year 2012 compared to the prior fiscal year.

Net cash used for financing activities increased \$25.3 million to \$48.9 million for fiscal year 2011 from \$23.6 million for fiscal year 2010 due primarily to \$41.4 million of treasury stock purchases which were transacted during the second, third and fourth quarters of fiscal year 2011. The treasury stock purchases were partially offset by an increase of \$16.6 million from period to period in proceeds from the issuance of common stock upon the exercise of stock options.

Effect of Exchange Rate Changes

All of our foreign subsidiaries currently operate in currencies other than the U.S. dollar and a significant portion of our consolidated cash balance is denominated in these foreign currencies, particularly at our U.K. subsidiary which operates in Pound Sterling. As a result, our cash and cash equivalents balances are subject to the effects of the fluctuations in these currencies against the U.S. dollars at the end of each reporting period.

The net effect of exchange rate changes on cash and cash equivalents, when expressed in U.S. Dollar terms, was a decrease in cash of \$1.7 million for fiscal year 2012, an increase in cash of \$2.6 million for fiscal year 2011 and a decrease in cash of \$1.3 million for fiscal year 2010. These changes from period to period are primarily due to the significant fluctuations in the foreign currency exchange rates for the Pound Sterling against the U.S. Dollar. The Pound Sterling to U.S. Dollar exchange rate decreased from 1.6352 to 1.5824 during fiscal year 2012, increased from 1.5514 to 1.6352 during fiscal year 2011 and decreased from 1.6275 to 1.5514 during fiscal year 2010.

Share Repurchase Plans

On December 14, 2010, the Company's Board of Directors approved a share buy-back plan, which was in effect through December 13, 2011, and authorized the Company to acquire up to \$25.0 million of its outstanding shares. On April 4, 2011, the Company's Board of Directors approved an increase to this existing \$25.0 million

share buy-back plan to authorize the Company to acquire an additional \$35.0 million of its outstanding shares and to extend the expiration date of the plan to April 4, 2013. As a result, the Company was authorized to acquire shares of its common stock in the aggregate amount of \$60.0 million, less the amount utilized to date. Under the plan, the Company was authorized to acquire its outstanding shares on such terms and conditions as may be acceptable to the Company's Chief Executive Officer or Chief Financial Officer and subject to lender approval from Prudential Capital, up until the date on which the term loan with this lender was paid in full, and in compliance with all laws and regulations applicable thereto. During the period from December 14, 2010 through November 30, 2011, the Company repurchased 1,484,912 shares at a total cost of \$60.0 million. As a result, the Company utilized the entire authorized amount and completed the repurchases under this share buy-back plan.

On December 13, 2011, the Company's Board of Directors approved a new share buy-back plan. Under the plan, which is in effect through December 12, 2013, the Company is authorized to acquire up to \$50.0 million of its outstanding shares on such terms and conditions as may be acceptable to the Company's Chief Executive Officer or Chief Financial Officer and in compliance with all laws and regulations applicable thereto. During the period from December 14, 2011 through August 31, 2012, the Company repurchased 462,901 shares at a total cost of \$21.2 million.

Dividends

The Company has historically paid regular quarterly cash dividends on its common stock. In December 2011, the Board of Directors declared a 7% increase in the regular quarterly cash dividend, increasing it from \$0.27 per share to \$0.29 per share. On October 5, 2012, the Company's Board of Directors declared a cash dividend of \$0.29 per share payable on October 31, 2012 to shareholders of record on October 18, 2012. Our ability to pay dividends could be affected by future business performance, liquidity, capital needs, alternative investment opportunities and debt covenants.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements as defined by Item 303(a)(4)(ii) of Regulation S-K.

Contractual Obligations

The following table sets forth our best estimates as to the amounts and timing of minimum contractual payments for our most significant contractual obligations and commitments as of August 31, 2012 for the next five years and thereafter (in thousands). Future events could cause actual payments to differ significantly from these amounts.

	<u>Total</u>	<u>1 year</u>	<u>2-3 years</u>	<u>4-5 years</u>	<u>Thereafter</u>
Operating leases	<u>\$3,133</u>	<u>\$1,468</u>	<u>\$1,163</u>	<u>\$377</u>	<u>\$125</u>

The following summarizes other commitments which are excluded from the contractual obligations table above as of August 31, 2012:

- We have ongoing relationships with various suppliers (contract manufacturers) who manufacture our products. The contract manufacturers maintain title and control of certain raw materials and components, materials utilized in finished products, and of the finished products themselves until shipment to our customers or third-party distribution centers in accordance with agreed upon shipment terms. Although we typically do not have definitive minimum purchase obligations included in the contract terms with our contract manufacturers, when such obligations have been included, they have been immaterial. In the ordinary course of business, supply needs are communicated by us to our contract manufacturers based on orders and short-term projections, ranging from two to five months. We are committed to purchase the products produced by the contract manufacturers based on the

projections provided. This obligation includes purchasing obsolete or slow-moving inventory from our contract manufacturers which we have done so in the past under these commitments, the amounts of which have been immaterial. Upon the termination of contracts with contract manufacturers, we obtain certain inventory control rights and are obligated to work with the contract manufacturer to sell through all product held by or manufactured by the contract manufacturer on our behalf during the termination notification period. If any inventory remains at the contract manufacturer at the termination date, we are obligated to purchase such inventory which may include raw materials, components and finished goods. Prior to the fourth quarter of fiscal year 2012, amounts for inventory purchased under termination commitments have been immaterial. As a result of the unanticipated termination of the IQ Products Company contract manufacturing agreement in the fourth quarter of fiscal year 2012, we are obligated to purchase \$3.6 million of inventory which is included in inventories in the Company's consolidated balance sheet as of August 31, 2012.

- Under the terms of the credit facility agreement with Bank of America, we may borrow funds in U.S. dollars or in foreign currencies from time to time during the three-year period commencing June 17, 2011 through June 17, 2014. As of August 31, 2012, we had \$45.0 million outstanding on this credit facility. Based on our most recent cash projection, we expect to borrow additional amounts against this credit facility ranging from \$15.0 million to \$20.0 million in fiscal year 2013. We estimate that the interest associated with these borrowings will be approximately \$0.3 million for fiscal year 2013 based on the applicable interest rates and the expected payment dates of such borrowings.
- At August 31, 2012, the liability recorded for uncertain tax positions, excluding associated interest and penalties, was approximately \$1.0 million. We have estimated that up to \$0.2 million of unrecognized tax benefits related to income tax positions may be affected by the resolution of tax examinations or expiring statutes of limitation within the next twelve months.

Critical Accounting Policies

Our results of operations and financial condition, as reflected in our consolidated financial statements, have been prepared in accordance with accounting principles generally accepted in the United States of America. Preparation of financial statements requires us to make estimates and assumptions affecting the reported amounts of assets, liabilities, revenues and expenses and the disclosures of contingent assets and liabilities. We use historical experience and other relevant factors when developing estimates and assumptions and these estimates and assumptions are continually evaluated. Note 2 to our consolidated financial statements included in Item 15 of this report includes a discussion of significant accounting policies. The accounting policies discussed below are the ones we consider to be most critical to an understanding of our consolidated financial statements because their application places the most significant demands on our judgment. Our financial results may have varied from those reported had different assumptions been used or other conditions prevailed. Our critical accounting policies have been reviewed with the Audit Committee of the Board of Directors.

Revenue Recognition and Sales Incentives

Sales are recognized as revenue at the time of delivery to our customer when risks of loss and title have passed. Sales are recorded net of allowances for damaged goods and other sales returns, sales incentives, trade promotions and cash discounts. We must make judgments and certain assumptions in order to determine when delivery has occurred. Through an analysis of end-of-period shipments, we determine an average time of transit of product to our customers, and this is used to estimate the time of delivery and whether revenue should be recognized during the current reporting period for such shipments. Differences in judgments or estimates related to the lengthening or shortening of the estimated delivery time used could result in material differences in the timing of revenue recognition.

Sales incentives are also recorded as a reduction of sales in our consolidated statements of operations. Sales incentives include on-going trade promotion programs with customers and consumer coupon programs that require us to estimate and accrue for the expected costs of such programs. These programs include cooperative

marketing programs, shelf price reductions, coupons, rebates, consideration and allowances given to retailers for shelf space and/or favorable display positions in their stores and other promotional activities. Costs related to these sales incentive programs, with the exception of coupon costs, are recorded as a reduction to sales upon delivery of products to customers. Coupon costs are based upon historical redemption rates and are recorded as a reduction to sales as incurred, which is when the coupons are circulated.

Sales incentives are calculated based primarily on historical rates and consideration of recent promotional activities. The determination of sales incentive costs and the related liabilities require us to use judgment for estimates that include current and past trade promotion spending patterns, status of trade promotion activities and the interpretation of historical spending trends by customer and category. We review our assumptions and adjust our reserves accordingly on a quarterly basis. Our consolidated financial statements could be materially impacted if the actual promotion rates are different from the estimated rates. If our accrual estimates for sales incentives at August 31, 2012 were to differ by 10%, the impact on net sales would be approximately \$0.7 million.

Allowance for Doubtful Accounts

The preparation of our financial statements requires us to make certain estimates and assumptions related to the collectability of our accounts receivable balances. We specifically analyze historical bad debts, customer credit worthiness, current economic trends and conditions and changes in our customer payment terms when evaluating the adequacy of the allowance for doubtful accounts. We review our accounts receivable balances and our assumptions used to determine their collectability on a periodic basis and adjust our allowance for doubtful accounts accordingly on a quarterly basis.

Accounting for Income Taxes

Current income tax expense is the amount of income taxes expected to be payable for the current year. A deferred income tax liability or asset is established for the expected future tax consequences resulting from the differences in financial reporting and tax bases of assets and liabilities. A valuation allowance is provided if it is more likely than not that some or all of the deferred tax assets will not be realized. In addition to valuation allowances, we provide for uncertain tax positions when such tax positions do not meet the recognition thresholds or measurement standards prescribed by the authoritative guidance on income taxes. Amounts for uncertain tax positions are adjusted in periods when new information becomes available or when positions are effectively settled. We recognize accrued interest and penalties related to uncertain tax positions as a component of income tax expense.

U.S. federal income tax expense is provided on remittances of foreign earnings and on unremitted foreign earnings that are not indefinitely reinvested. U.S. federal income taxes and foreign withholding taxes are not provided when foreign earnings are indefinitely reinvested. We determine whether our foreign subsidiaries will invest their undistributed earnings indefinitely based on the capital needs of the foreign subsidiaries. We reassess this determination each reporting period. Changes to this determination may be warranted based on our experience as well as plans regarding future international operations and expected remittances.

Valuation of Goodwill

The carrying value of goodwill is reviewed for possible impairment in accordance with the authoritative guidance on goodwill, intangibles and other. We assess for possible impairments to goodwill at least annually during our second fiscal quarter and otherwise when there is evidence that events or changes in circumstances indicate that an impairment condition may exist.

Under updated authoritative guidance which was issued by the FASB in September 2011, we are permitted to perform a qualitative assessment to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. If we conclude that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, we perform the first step of the goodwill impairment test and then, if needed, the

second step, to determine whether goodwill is impaired. However, if it is more likely than not that the fair value of a reporting unit is more than its carrying amount, we do not need to perform the two-step quantitative goodwill impairment test. The first step of the impairment test involves comparing the fair values of the applicable reporting units with their carrying values, including goodwill. We determine the fair values of our reporting units using the income valuation approach or other generally accepted valuation methodologies. If the carrying amount of a reporting unit exceeds the reporting unit's fair value, we perform the second step of the goodwill impairment test. The second step of the goodwill impairment test involves comparing the implied fair value of the affected reporting unit's goodwill with the carrying value of that goodwill. The amount by which the carrying value of the goodwill exceeds its implied fair value, if any, is recognized as an impairment loss. Any impairment losses are recorded as a reduction in the carrying amount of the related asset and charged to results of operations.

We elected to early adopt the provisions of this new guidance on goodwill in conjunction with our second quarter of fiscal year 2012 annual goodwill impairment test and we performed a qualitative assessment of whether it is more likely than not that the fair value of each of our reporting units is less than its carrying amount. In performing this qualitative assessment, we assessed relevant events and circumstances that may impact the fair value and the carrying amount of each of our reporting units. Factors that were considered included, but were not limited to, the following: (1) macroeconomic conditions; (2) industry and market conditions; (3) overall financial performance and expected financial performance; (4) other entity specific events, such as changes in management or key personnel; and (5) events affecting our reporting units, such as a change in the composition of net assets or any expected dispositions. Based on the results of this qualitative assessment, we determined that it is more likely than not that the carrying value of each of our reporting units is less than its fair value and, thus, the two-step quantitative analysis was not required. As a result, we concluded that no impairment of our goodwill existed as of February 29, 2012.

In addition, there were no indicators of impairment identified as a result of our review of events and circumstances related to our goodwill or definite-lived intangible assets subsequent to February 29, 2012.

During our impairment tests performed in fiscal years 2011 and 2010, we also did not identify or record any impairment losses related to our goodwill.

Recently Issued Accounting Standards

In December 2011, the Financial Accounting Standards Board ("FASB") issued updated authoritative guidance related to new disclosure requirements on offsetting financial assets and liabilities. The new rules require companies to disclose both gross and net information about instruments and transactions eligible for offset in the statement of financial position, as well as instruments and transactions subject to a netting arrangement. The updated authoritative guidance is effective for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. The Company is currently evaluating the potential impact, if any, of the adoption of this updated authoritative guidance on its consolidated financial statement disclosures.

In June 2011, the FASB issued updated authoritative guidance to amend the presentation of comprehensive income. Under these new presentation rules, companies will have the option to present other comprehensive income in either a single continuous statement of comprehensive income or in two separate but consecutive statements. Under both alternatives, companies will be required to present each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income, and a total amount for comprehensive income. In the single continuous statement approach, the guidance requires the entity to present the components of net income and total net income, the components of other comprehensive income and a total for other comprehensive income, along with the total of comprehensive income in that statement. In the two-statement approach, the income statement will be followed immediately by the statement of other comprehensive income, which will include the amount for total comprehensive income. The amendments in this guidance also require that reclassifications from other comprehensive income to net income be presented on the face of the financial statements, but this portion of the

guidance was indefinitely deferred in accordance with the Accounting Standards Update No. 2011-12 which was issued by the FASB in December 2011. The updated authoritative guidance on comprehensive income is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. The Company has evaluated this updated authoritative guidance, and expects to include this information as a continuous statement or a separate statement starting in fiscal year 2013.

Related Parties

On October 11, 2011, the Company's Board of Directors elected Mr. Gregory A. Sandfort as a director of WD-40 Company. Mr. Sandfort is President and Chief Operating Officer of Tractor Supply Company ("Tractor Supply"), which is a WD-40 Company customer that acquires products from the Company in the ordinary course of business.

The consolidated financial statements included sales to Tractor Supply of \$0.6 million for fiscal year 2012. Accounts receivable from Tractor Supply were \$0.1 million as of August 31, 2012.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Foreign Currency Risk

The Company is exposed to a variety of risks, including foreign currency exchange rate fluctuations. In the normal course of business, the Company employs established policies and procedures to manage its exposure to fluctuations in foreign currency values.

All of the Company's international subsidiaries operate in functional currencies other than the U.S. dollar. As a result, the Company is exposed to foreign currency related risk when the financial statements of its international subsidiaries are translated for consolidation purposes from functional currencies to U.S. dollars. This foreign currency risk can affect sales, expenses and profits as well as assets and liabilities that are denominated in currencies other than the U.S. dollar. The Company does not enter into any hedging activities to mitigate this foreign currency translation risk.

The Company's U.K. subsidiary, whose functional currency is Pound Sterling, utilizes foreign currency forward contracts to limit its exposure in converting cash and intercompany accounts receivable balances denominated in non-functional currencies. The principal currency affected is the Euro. The Company regularly monitors its foreign exchange exposures to ensure the overall effectiveness of its foreign currency hedge positions. While the Company engages in foreign currency hedging activity to reduce its risk, for accounting purposes, none of its foreign currency forward contracts are designated as hedges.

The Company has performed a sensitivity analysis related to its foreign currency forward contracts outstanding at August 31, 2012. If the foreign currency exchange rates relevant to those contracts were to change unfavorably by 10%, the Company would incur a loss of approximately \$1.1 million.

Interest Rate Risk

As of August 31, 2012, the Company had a \$45.0 million outstanding balance on its \$75.0 million three-year revolving credit facility agreement with Bank of America, N.A. ("Bank of America"). This \$75.0 million revolving credit facility is subject to interest rate fluctuations. Under the terms of the credit facility agreement, the Company may borrow loans in U.S. dollars or in foreign currencies from time to time during the three-year period, which expires on June 17, 2014. All loans denominated in U.S. dollars will accrue interest at the bank's Prime rate or at LIBOR plus a margin of 0.90 percent (together with any applicable mandatory liquid asset costs imposed by non-U.S. banking regulatory authorities). All loans denominated in foreign currencies will accrue interest at LIBOR plus 0.90 percent. Any significant increase in the bank's Prime rate and/or LIBOR rate could have a material effect on interest expense incurred on any borrowings outstanding under the credit facility.

Item 8. Financial Statements and Supplementary Data

The Company's consolidated financial statements at August 31, 2012 and 2011 and for each of the three fiscal years in the period ended August 31, 2012, and the Report of Independent Registered Public Accounting Firm, are included in Item 15 of this report.

Quarterly Financial Data (Unaudited)

The following table sets forth certain unaudited quarterly consolidated financial data (in thousands, except per share data):

	Fiscal Year Ended August 31, 2012				
	1st	2nd	3rd	4th	Total
Net sales	\$84,945	\$85,966	\$87,022	\$84,851	\$342,784
Gross profit	41,338	42,143	43,082	41,919	168,482
Net Income	6,792	10,584	9,136	8,973	35,485
Diluted earnings per common share	\$ 0.42	\$ 0.65	\$ 0.57	\$ 0.56	\$ 2.20

	Fiscal Year Ended August 31, 2011				
	1st	2nd	3rd	4th	Total
Net sales	\$80,927	\$79,206	\$85,536	\$90,740	\$336,409
Gross profit	41,222	41,046	42,139	43,705	168,112
Net Income	9,079	9,108	8,060	10,186	36,433
Diluted earnings per common share	\$ 0.53	\$ 0.53	\$ 0.47	\$ 0.61	\$ 2.14

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

Not applicable.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The term “disclosure controls and procedures” is defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934 (“Exchange Act”). The term disclosure controls and procedures means controls and other procedures of a Company that are designed to ensure the information required to be disclosed by the Company in the reports that it files or submits under the Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company’s management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosures. The Company’s Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the Company’s disclosure controls and procedures as of August 31, 2012, the end of the period covered by this report (the Evaluation Date), and they have concluded that, as of the Evaluation Date, such controls and procedures were effective at ensuring that required information will be disclosed on a timely basis in the Company’s reports filed under the Exchange Act. Although management believes the Company’s existing disclosure controls and procedures are adequate to enable the Company to comply with its disclosure obligations, management continues to review and update such controls and procedures. The Company has a disclosure committee, which consists of certain members of the Company’s senior management.

Management’s Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, management conducted an evaluation of the effectiveness

of its internal control over financial reporting based upon the framework in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, management concluded that its internal control over financial reporting is effective as of August 31, 2012.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PricewaterhouseCoopers LLP, independent registered public accounting firm, who audited and reported on the consolidated financial statements of WD-40 Company included in Item 15 of this report, has audited the effectiveness of WD-40 Company's internal control over financial reporting as of August 31, 2012, as stated in their report included in Item 15 of this report.

Changes in Internal Control over Financial Reporting

For the quarter ended August 31, 2012, there were no significant changes to the Company's internal control over financial reporting that materially affected, or would be reasonably likely to materially affect, its internal control over financial reporting.

Item 9B. Other Information

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Certain information required by this item is set forth under the headings “Security Ownership of Directors and Executive Officers,” “Nominees for Election as Directors,” “Audit Committee” and “Section 16(a) Beneficial Ownership Reporting Compliance” in the Company’s Proxy Statement to be filed with the Securities and Exchange Commission in connection with the 2012 Annual Meeting of Stockholders on December 11, 2012 (“Proxy Statement”), which information is incorporated by reference herein. Additional information concerning executive officers of the Registrant required by this item is included in this report following Item 4 of Part I under the heading, “Executive Officers of the Registrant.”

The Registrant has a financial reporting code of ethics applicable to its principal executive officer, principal financial officer, principal accounting officer or controller and persons performing similar functions. A copy of the financial reporting code of ethics applicable to such persons may be found on the Registrant’s internet website on the Officers and Directors link from the Investors page at www.wd40company.com.

Item 11. Executive Compensation

Information required by this item is incorporated by reference to the Proxy Statement under the headings “Board of Directors Compensation,” “Compensation Committee Interlocks and Insider Participation,” “Compensation Discussion and Analysis,” “Compensation Committee Report,” “Executive Compensation,” “Supplemental Death Benefit Plans and Supplemental Insurance Benefits” and “Change of Control Severance Agreements.”

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Certain information required by this item is incorporated by reference to the Proxy Statement under the headings “Principal Security Holders” and “Security Ownership of Directors and Executive Officers.”

Equity Compensation Plan Information

The following table provides information regarding shares of the Company’s common stock authorized for issuance under equity compensation plans as of August 31, 2012:

<u>Plan category</u>	<u>Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)</u>	<u>Weighted-average exercise price of outstanding options, warrants and rights (b)</u>	<u>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)</u>
Equity compensation plans approved by security holders	524,351 ⁽¹⁾	\$33.12 ⁽²⁾	2,052,415
Equity compensation plans not approved by security holders	n/a	n/a	n/a
	<u>524,351⁽¹⁾</u>	<u>\$33.12⁽²⁾</u>	<u>2,052,415</u>

⁽¹⁾ Includes 313,267 securities to be issued upon exercise of outstanding stock options, 169,904 securities to be issued pursuant to outstanding restricted stock units and 48,180 securities to be issued pursuant to outstanding performance share units (“PSUs”) based on 100% of the target number of PSU shares to be issued upon achievement of the applicable performance measures specified for such PSUs.

⁽²⁾ Weighted average exercise price only applies to stock options outstanding of 313,267, which is included as a component of the number of securities to be issued upon exercise of outstanding options, warrants and rights.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Information required by this item is incorporated by reference to the Proxy Statement under the headings “Director Independence”, “Audit Committee” and “Related Party Transactions Review and Oversight.”

Item 14. Principal Accountant Fees and Services

Information required by this item is incorporated by reference to the Proxy Statement under the heading “Ratification of Appointment of Independent Registered Public Accounting Firm.”

PART IV

Item 15. Exhibits, Financial Statement Schedules

	<u>Page</u>
(a) Documents filed as part of this report	
(1) Report of Independent Registered Public Accounting Firm	F-1
Consolidated Balance Sheets	F-2
Consolidated Statements of Operations	F-3
Consolidated Statements of Shareholders' Equity and Comprehensive Income	F-4
Consolidated Statements of Cash Flows	F-5
Notes to Consolidated Financial Statements	F-6
(2) Financial statement schedules are omitted because they are not applicable or the required information is shown in the consolidated financial statements or notes thereto.	

(3) Exhibits

<u>Exhibit No.</u>	<u>Description</u>
	Articles of Incorporation and Bylaws.
3(a)	Certificate of Incorporation.
3(b)	Amended and Restated Bylaws of WD-40 Company, incorporated by reference from the Registrant's Form 8-K filed June 25, 2012, Exhibit 3(b) thereto.
	Material Contracts.
	Executive Compensation Plans and Arrangements (Exhibits 10(a) through 10(n) are management contracts and compensatory plans or arrangements required to be filed as exhibits pursuant to Item 15(b)).
10(a)	WD-40 Company 2007 Stock Incentive Plan.
10(b)	Fourth Amended and Restated WD-40 Company 1990 Incentive Stock Option Plan, incorporated by reference from the Registrant's Form 10-K filed October 16, 2009, Exhibit 10(a) thereto.
10(c)	WD-40 Directors' Compensation Policy and Election Plan dated October 9, 2012.
10(d)	Form of Indemnity Agreement between the Registrant and its executive officers and directors, incorporated by reference from the Registrant's Form 10-K filed October 25, 2007, Exhibit 10(d) thereto.
10(e)	Form of Performance Share Unit Award Agreement for 2011 awards to executive officers under the WD-40 Company 2007 Stock Incentive Plan.
10(f)	Form of WD-40 Company Supplemental Death Benefit Plan applicable to certain executive officers of the Registrant, incorporated by reference from the Registrant's Form 10-K filed October 18, 2010, Exhibit 10(f) thereto.
10(g)	Change of Control Severance Agreement between WD-40 Company and Garry O. Ridge dated February 14, 2006, incorporated by reference from the Registrant's Form 10-K filed October 20, 2011, Exhibit 10(h) thereto.
10(h)	Change of Control Severance Agreement between WD-40 Company and Michael J. Irwin dated February 14, 2006, incorporated by reference from the Registrant's Form 10-K filed October 20, 2011, Exhibit 10(i) thereto.

<u>Exhibit No.</u>	<u>Description</u>
10(i)	Change of Control Severance Agreement between WD-40 Company and Michael L. Freeman dated February 14, 2006, incorporated by reference from the Registrant's Form 10-K filed October 20, 2011, Exhibit 10(j) thereto.
10(j)	Change of Control Severance Agreement between WD-40 Company and Geoffrey J. Holdsworth dated February 14, 2006, incorporated by reference from the Registrant's Form 10-K filed October 20, 2011, Exhibit 10(h) thereto.
10(k)	Change of Control Severance Agreement between WD-40 Company and Graham P. Milner dated February 14, 2006, incorporated by reference from the Registrant's Form 10-K filed October 20, 2011, Exhibit 10(l) thereto.
10(l)	Change of Control Severance Agreement between WD-40 Company and William B. Noble dated February 14, 2006, incorporated by reference from the Registrant's Form 10-K filed October 20, 2011, Exhibit 10(m) thereto.
10(m)	Change of Control Severance Agreement between WD-40 Company and Jay Rembolt dated October 16, 2008, incorporated by reference from the Registrant's Form 10-K filed October 23, 2008, Exhibit 10(m) thereto.
10(n)	Credit Agreement dated June 17, 2011 among WD-40 Company and Bank of America, N.A., incorporated by reference from the Registrant's Form 8-K filed June 17, 2011, Exhibit 10(a) thereto.
21	Subsidiaries of the Registrant.
23	Consent of Independent Registered Public Accounting Firm dated October 22, 2012.
31(a)	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31(b)	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32(a)	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32(b)	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101. INS	XBRL Instance Document
101. SCH	XBRL Taxonomy Extension Schema Document
101. CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101. DEF	XBRL Taxonomy Extension Definition Linkbase Document
101. LAB	XBRL Taxonomy Extension Labels Linkbase Document
101. PRE	XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this annual report to be signed on its behalf by the undersigned, thereunto duly authorized.

WD-40 COMPANY
Registrant

/s/ JAY W. REMBOLT

JAY W. REMBOLT
Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)
Date: October 22, 2012

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

/s/ GARRY O. RIDGE

GARRY O. RIDGE
Chief Executive Officer and Director
(Principal Executive Officer)
Date: October 22, 2012

/s/ GILES H. BATEMAN

GILES H. BATEMAN, Director
Date: October 22, 2012

/s/ PETER D. BEWLEY

PETER D. BEWLEY, Director
Date: October 22, 2012

/s/ RICHARD A. COLLATO

RICHARD A. COLLATO, Director
Date: October 22, 2012

/s/ MARIO L. CRIVELLO

MARIO L. CRIVELLO, Director
Date: October 22, 2012

/s/ LINDA A. LANG

LINDA A. LANG, Director
Date: October 22, 2012

/s/ GREGORY A. SANDFORT

GREGORY A. SANDFORT, Director
Date: October 22, 2012

/s/ NEAL E. SCHMALE

NEAL E. SCHMALE, Director
Date: October 22, 2012

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, of shareholder's equity and comprehensive income, and of cash flows present fairly, in all material respects, the financial position of WD-40 Company and its subsidiaries at August 31, 2012 and August 31, 2011, and the results of their operations and their cash flows for each of the three years in the period ended August 31, 2012 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of August 31, 2012, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

San Diego, CA
October 22, 2012

WD-40 COMPANY
CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share amounts)

	August 31, 2012	August 31, 2011
Assets		
Current assets:		
Cash and cash equivalents	\$ 69,719	\$ 56,393
Short-term investments	1,033	533
Trade accounts receivable, less allowance for doubtful accounts of \$391 and \$412 at August 31, 2012 and 2011, respectively	55,491	58,324
Inventories	29,797	17,604
Current deferred tax assets, net	5,551	4,849
Assets held for sale	0	879
Other current assets	4,526	4,574
Total current assets	166,117	143,156
Property and equipment, net	9,063	8,482
Goodwill	95,318	95,452
Other intangible assets, net	27,685	29,933
Other assets	2,687	2,754
Total assets	\$ 300,870	\$ 279,777
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 21,242	\$ 19,373
Accrued liabilities	16,492	15,258
Current portion of long-term debt and short-term borrowings	45,000	10,715
Accrued payroll and related expenses	5,904	7,471
Income taxes payable	807	1,413
Total current liabilities	89,445	54,230
Long-term deferred tax liabilities, net	24,007	21,813
Deferred and other long-term liabilities	1,956	2,508
Total liabilities	115,408	78,551
Shareholders' equity:		
Common stock — authorized 36,000,000 shares, \$0.001 par value; 19,208,845 and 18,948,868 shares issued at August 31, 2012 and 2011, respectively; and 15,697,534 and 16,367,913 shares outstanding at August 31, 2012 and 2011, respectively	19	19
Additional paid-in capital	126,210	117,022
Retained earnings	193,265	176,008
Accumulated other comprehensive loss	(2,727)	(358)
Common stock held in treasury, at cost — 3,511,311 and 2,580,955 shares at August 31, 2012 and 2011, respectively	(131,305)	(91,465)
Total shareholders' equity	185,462	201,226
Total liabilities and shareholders' equity	\$ 300,870	\$ 279,777

See accompanying notes to consolidated financial statements.

WD-40 COMPANY
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)

	Fiscal Year Ended August 31,		
	2012	2011	2010
Net sales	\$342,784	\$336,409	\$321,516
Cost of products sold	174,302	168,297	156,210
Gross profit	168,482	168,112	165,306
Operating expenses:			
Selling, general and administrative	88,918	87,311	87,323
Advertising and sales promotion	25,702	25,132	22,061
Amortization of definite-lived intangible assets	2,133	1,537	724
Total operating expenses	116,753	113,980	110,108
Income from operations	51,729	54,132	55,198
Other income (expense):			
Interest income	261	228	174
Interest expense	(729)	(1,076)	(1,726)
Other (expense) income, net	(348)	247	(89)
Income before income taxes	50,913	53,531	53,557
Provision for income taxes	15,428	17,098	17,462
Net income	\$ 35,485	\$ 36,433	\$ 36,095
Earnings per common share:			
Basic	\$ 2.22	\$ 2.16	\$ 2.17
Diluted	\$ 2.20	\$ 2.14	\$ 2.15
Shares used in per share calculations:			
Basic	15,914	16,803	16,606
Diluted	16,046	16,982	16,725

See accompanying notes to consolidated financial statements.

WD-40 COMPANY
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY AND COMPREHENSIVE INCOME
(In thousands, except share and per share amounts)

	Common Stock		Additional Paid-In Capital		Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock		Total Shareholders' Equity	Total Comprehensive Income
	Shares	Amount					Shares	Amount		
Balance at August 31, 2009	18,093,879	\$ 18	\$ 86,729		\$138,367	\$(2,101)	1,563,498	\$ (50,066)	\$172,947	
Issuance of common stock upon settlements of stock-based equity awards	157,263		3,261						3,261	
Stock-based compensation			2,864						2,864	
Tax benefits from settlements of stock-based equity awards, net of impact of post-vesting expirations of stock options			247		(16,657)				247	
Cash dividends (\$1.00 per share)									(16,657)	
Foreign currency translation adjustment, net of tax provision of \$37						(2,233)			(2,233)	\$ (2,233)
Net income					36,095				36,095	36,095
Balance at August 31, 2010	18,251,142	\$ 18	\$ 93,101		\$157,805	\$(4,334)	1,563,498	\$ (50,066)	\$196,524	\$33,862
Issuance of common stock upon settlements of stock-based equity awards	697,726	1	19,523						19,524	
Stock-based compensation			3,033						3,033	
Tax benefits from settlements of stock-based equity awards			1,365						1,365	
Cash dividends (\$1.08 per share)					(18,230)				(18,230)	
Acquisition of treasury stock							1,017,457	(41,399)	(41,399)	
Foreign currency translation adjustment, net of tax provision of \$71						3,976			3,976	\$ 3,976
Net income					36,433				36,433	36,433
Balance at August 31, 2011	18,948,868	\$ 19	\$117,022		\$176,008	\$ (358)	2,580,955	\$ (91,465)	\$201,226	\$40,409
Issuance of common stock upon settlements of stock-based equity awards	259,977		5,710						5,710	
Stock-based compensation			2,769						2,769	
Tax benefits from settlements of stock-based equity awards			709						709	
Cash dividends (\$1.14 per share)					(18,228)				(18,228)	
Acquisition of treasury stock							930,356	(39,840)	(39,840)	
Foreign currency translation adjustment, net of tax benefit of \$14						(2,369)			(2,369)	\$ (2,369)
Net income					35,485				35,485	35,485
Balance at August 31, 2012	19,208,845	\$ 19	\$126,210		\$193,265	\$(2,727)	3,511,311	\$(131,305)	\$185,462	\$33,116

See accompanying notes to consolidated financial statements.

WD-40 COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Fiscal Year Ended August 31,		
	2012	2011	2010
Operating activities:			
Net income	\$ 35,485	\$ 36,433	\$ 36,095
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	4,869	4,386	4,248
Net losses (gains) on sales and disposals of property and equipment	67	154	(43)
Deferred income taxes	367	2,831	(152)
Excess tax benefits from settlements of stock-based equity awards	(671)	(1,195)	(224)
Stock-based compensation	2,769	3,033	2,864
Unrealized foreign currency exchange losses, net	2,112	469	931
Provision for bad debts	157	162	103
Changes in assets and liabilities:			
Trade accounts receivable	226	(9,776)	(1,723)
Inventories	(12,347)	(2,654)	2,967
Other assets	(64)	2,795	(2,738)
Accounts payable and accrued liabilities	3,206	657	6,092
Accrued payroll and related expenses	(2,794)	(7,802)	6,875
Income taxes payable	1,412	2,661	(346)
Deferred and other long-term liabilities	(545)	(2,145)	1,475
Net cash provided by operating activities	34,249	30,009	56,424
Investing activities:			
Purchases of property and equipment	(3,765)	(2,875)	(1,769)
Proceeds from sales of property and equipment	1,167	170	216
Purchases of short-term investments	(1,029)	(515)	0
Maturities of short-term investments	514	0	0
Net cash used in investing activities	(3,113)	(3,220)	(1,553)
Financing activities:			
Repayments of long-term debt	(10,715)	(10,714)	(10,714)
Proceeds from revolving credit facility	114,550	5,000	0
Repayments of revolving credit facility	(69,550)	(5,000)	0
Dividends paid	(18,228)	(18,230)	(16,657)
Proceeds from issuance of common stock	7,030	20,215	3,572
Treasury stock purchases	(39,840)	(41,399)	0
Excess tax benefits from settlements of stock-based equity awards	671	1,195	224
Net cash used in financing activities	(16,082)	(48,933)	(23,575)
Effect of exchange rate changes on cash and cash equivalents	(1,728)	2,609	(1,324)
Net increase (decrease) in cash and cash equivalents	13,326	(19,535)	29,972
Cash and cash equivalents at beginning of period	56,393	75,928	45,956
Cash and cash equivalents at end of period	\$ 69,719	\$ 56,393	\$ 75,928
Supplemental cash flow information:			
Cash paid for:			
Interest	\$ 642	\$ 986	\$ 1,767
Income taxes, net of tax refunds received	\$ 13,240	\$ 11,424	\$ 18,948

See accompanying notes to consolidated financial statements.

WD-40 COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. The Company

WD-40 Company (“the Company”), based in San Diego, California, is a global consumer products company dedicated to delivering unique, high value and easy-to-use solutions for a wide variety of maintenance needs of “doer” and “on-the-job” users by leveraging and building upon the Company’s fortress of brands. The Company markets multi-purpose maintenance products, WD-40® multi-use product and, 3-IN-ONE®, BLUE WORKS® and WD-40 Specialist® product lines. In the fourth quarter of fiscal year 2012, the Company developed the WD-40 Bike® product line, which is focused on a comprehensive line of bicycle maintenance products that include wet and dry chain lubricants, heavy-duty degreasers, foaming bike wash and frame protectants that are designed specifically for the avid cyclist, bike enthusiasts and mechanics. The Company will start to launch certain products in this line in the United States (“U.S.”) during the first quarter of fiscal year 2013. The Company also markets the following homecare and cleaning brands: X-14® mildew stain remover and automatic toilet bowl cleaners, 2000 Flushes® automatic toilet bowl cleaners, Carpet Fresh® and No Vac® rug and room deodorizers, Spot Shot® aerosol and liquid carpet stain removers, 1001® household cleaners and rug and room deodorizers and Lava® and Solvol® heavy-duty hand cleaners.

The Company’s brands are sold in various locations around the world. Multi-purpose maintenance products are sold worldwide in markets throughout North, Central and South America, Asia, Australia and the Pacific Rim, Europe, the Middle East and Africa. Homecare and cleaning products are sold primarily in North America, the United Kingdom (“U.K.”), Australia and the Pacific Rim. The Company’s products are sold primarily through mass retail and home center stores, warehouse club stores, grocery stores, hardware stores, automotive parts outlets and industrial distributors and suppliers.

Note 2. Basis of Presentation and Summary of Significant Accounting Policies

Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany transactions and balances have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Supplier Risk

The Company relies on a limited number of suppliers, including single or sole source suppliers for certain of its raw materials, packaging, product components and other necessary supplies. Where possible and where it makes business sense, the Company works with secondary or multiple suppliers to qualify additional supply sources. To date, the Company has been able to obtain adequate supplies of these materials which are used in the production of its multipurpose maintenance products and homecare and cleaning products in a timely manner from existing sources.

Cash and Cash Equivalents

Cash equivalents are highly liquid investments purchased with an original maturity of three months or less.

Short-term Investments

Short-term investments include securities with stated or callable maturities of three to no more than twelve months. The Company's short-term investments consisted of term deposits with a fair value of \$1.0 million and \$0.5 million at August 31, 2012 and 2011, respectively. These term deposits were subject to penalty for early redemption before their maturity.

Trade Accounts Receivable and Allowance for Doubtful Accounts

Trade accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in existing accounts receivable. The Company determines the allowance for doubtful accounts based on historical write-off experience and the identification of specific balances deemed uncollectable. Trade accounts receivable are charged off against the allowance when the Company believes it is probable that the trade accounts receivable will not be recovered. The Company does not have any off-balance sheet credit exposure related to its customers.

Changes in the allowance for doubtful accounts are summarized below (in thousands):

	Balance at Beginning of Year	Additions Charged to Costs and Expenses	Deductions*	Balance at End of Year
Fiscal year ended August 31, 2010	\$ 694	\$ 103	\$ 498	\$ 299
Fiscal year ended August 31, 2011	\$ 299	\$ 162	\$ 49	\$ 412
Fiscal year ended August 31, 2012	\$ 412	\$ 157	\$ 178	\$ 391

* Represents the net amount of write-offs against the allowance and recoveries of doubtful accounts.

Inventories

Inventories are stated at the lower of cost (as determined based on the average cost method) or market. When necessary, the Company adjusts the carrying value of its inventory to the lower of cost or market, including any costs to sell or dispose of such inventory. Appropriate consideration is given by the Company to obsolescence, excessive inventory levels, product deterioration and other factors when evaluating net realizable value for the purposes of determining the lower of cost or market.

Included in inventories are amounts for certain raw materials and components that the Company has provided to its third-party contract manufacturers but that remain unpaid to the Company as of the balance sheet date. The Company's contract manufacturers package products to the Company's specifications and, upon order from the Company, ship ready-to-sell inventory to either the Company's third-party distribution centers or directly to its customers. The Company transfers certain raw materials and components to these contract manufacturers for use in the manufacturing process. Contract manufacturers are obligated to pay the Company for these raw materials and components upon receipt. Amounts receivable from the contract manufacturers as of the balance sheet date related to transfers of these raw materials and components by the Company to its contract manufacturers are considered product held at contract manufacturers and are included in inventories in the accompanying consolidated balance sheets.

Property and Equipment

Property and equipment is stated at cost. Depreciation is computed using the straight-line method based upon estimated useful lives of ten to forty years for buildings and improvements, three to fifteen years for machinery and equipment, three to five years for vehicles, three to ten years for furniture and fixtures and three to five years

for software and computer equipment. Depreciation expense totaled \$2.7 million for each of fiscal years 2012 and 2011 and \$3.1 million for fiscal year 2010. These amounts include factory depreciation expense recognized as cost of products sold totaling \$1.1 million for each of fiscal years 2012 and 2011 and \$1.5 million for fiscal year 2010.

Software

The Company capitalizes costs related to computer software obtained or developed for internal use. Software obtained for internal use has generally been enterprise-level business and finance software that the Company customizes to meet its specific operational needs. Costs incurred in the application development phase are capitalized and amortized over their useful lives, which are generally three to five years.

Goodwill and Other Intangible Assets

Goodwill represents the excess of the purchase price over the fair value of tangible and intangible assets acquired. The carrying value of goodwill is reviewed for possible impairment in accordance with the authoritative guidance on goodwill, intangibles and other. The Company assesses possible impairments to goodwill at least annually during its second fiscal quarter and otherwise when there is evidence that events or changes in circumstances indicate that an impairment condition may exist. In performing the annual impairment test of its goodwill, the Company considers the fair value concepts of a market participant and the highest and best use for its intangible assets.

In September 2011, the Financial Accounting Standards Board (“FASB”) issued updated authoritative guidance to amend the standard for the goodwill impairment test. The amendments allow companies to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. If, after assessing qualitative factors, an entity determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test is unnecessary. If deemed necessary, a two-step quantitative test is performed to identify the potential impairment and to measure the amount of goodwill impairment, if any. The first step involves comparing the Company’s net assets to the fair value of the net assets of the reporting units that have goodwill assigned to them. If the fair value is determined to be less than the book value, a second step is performed to compute the amount of impairment. In the second step, the implied fair value of goodwill is estimated as the fair value of the reporting unit used in the first step less the fair values of all other net tangible and intangible assets of the reporting unit. If the carrying amount of goodwill exceeds its implied fair value, an impairment loss is recognized in an amount equal to that excess, not to exceed the carrying amount of the goodwill. Any required impairment losses are recorded as a reduction in the carrying amount of the related asset and charged to results of operations. In addition to the annual impairment test, goodwill is evaluated each reporting period to determine whether events and circumstances would more likely than not reduce the fair value of a reporting unit below its carrying value.

Intangible assets that are determined to have definite lives are amortized on a straight-line basis over their estimated useful lives and are evaluated each reporting period to determine whether events and circumstances indicate that their carrying amounts may not be recoverable and/or their remaining useful lives may no longer be appropriate.

Long-lived Assets

The Company’s long-lived assets consist of property and equipment and definite-lived intangible assets. Long-lived assets are depreciated or amortized, as applicable, on a straight-line basis over their estimated useful lives. The Company assesses potential impairments to its long-lived assets when there is evidence that events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable and/or its remaining useful life may no longer be appropriate. Any required impairment loss would be measured as the

amount by which the asset's carrying amount exceeds its fair value, which is the amount at which the asset could be bought or sold in a current transaction between willing market participants and would be recorded as a reduction in the carrying amount of the related asset and a charge to results of operations. An impairment loss would be recognized when the sum of the expected future undiscounted net cash flows is less than the carrying amount of the asset. No impairments to its long-lived assets have been identified by the Company during fiscal years 2012, 2011 or 2010.

On November 4, 2011, the Company completed the sale of its warehouse facility located in Memphis, Tennessee to a third party for a sales price of approximately \$0.8 million, net of commissions. The sale resulted in a pre-tax loss of approximately \$0.1 million which is included as other expense in the Company's consolidated statements of operations.

Fair Value of Financial Instruments

The Company's financial instruments include cash and cash equivalents, short-term investments, trade accounts receivable, accounts payable, short-term borrowings, foreign currency exchange contracts and debt. The carrying amounts of these financial instruments, with the exception of debt, approximate their fair values due to their short-term maturities.

Concentration of Credit Risk

Financial instruments, which potentially subject the Company to significant concentrations of credit risk, consist principally of cash and cash equivalents, short-term investments and trade accounts receivable. The Company's policy is to place its cash in high credit quality financial institutions, in investments that include demand deposits, money market accounts, term deposits and time deposits. The Company's trade accounts receivable are derived from customers located in North America, South America, Asia-Pacific and Europe. The Company limits its credit exposure from trade accounts receivable by performing on-going credit evaluations of customers, as well as insuring its trade accounts receivable in selected markets.

Insurance Coverage

The Company carries insurance policies to cover insurable risks such as property damage, business interruption, product liability, workers' compensation and other risks, with coverage and other terms that it believes to be adequate and appropriate. These policies may be subject to applicable deductible or retention amounts, coverage limitations and exclusions. The Company does not maintain self-insurance with respect to its material risks; therefore, the Company has not provided for self-insurance reserves as of August 31, 2012 and 2011.

Revenue Recognition and Sales Incentives

Sales are recognized as revenue at the time of delivery to the customer when risks of loss and title have passed. Sales are recorded net of allowances for damaged goods and other sales returns, sales incentives, trade promotions and cash discounts.

The Company records sales incentives as a reduction of sales in its consolidated statements of operations. The Company offers on-going trade promotion programs with customers and consumer coupon programs that require the Company to estimate and accrue the expected costs for such programs. Programs include cooperative marketing programs, shelf price reductions, coupons, rebates, consideration and allowances given to retailers for shelf space and/or favorable display positions in their stores and other promotional activities. Costs related to rebates, cooperative advertising and other promotional activities are recorded as a reduction to sales upon delivery of the Company's products to its customers. Coupon costs are based upon historical redemption rates and are recorded as a reduction to sales as incurred, which is when the coupons are circulated.

Cost of Products Sold

Cost of products sold primarily includes the cost of products manufactured on the Company's behalf by its third-party contract manufacturers, net of volume and other rebates. Cost of products sold also includes the costs to manufacture WD-40 concentrate, which is done at the Company's own facilities or at third-party contract manufacturers. When the concentrate is manufactured by the Company, cost of products sold includes direct labor, direct materials and supplies; in-bound freight costs related to purchased raw materials; and depreciation of machinery and equipment used in the manufacturing process.

Selling, General and Administrative Expenses

Selling, general and administrative expenses include costs related to selling the Company's products, such as the cost of the sales force and related sales and broker commissions; shipping and handling costs paid to third-party companies to distribute finished goods from the Company's third-party contract manufacturers and distribution centers to its customers; other general and administrative costs related to the Company's business such as general overhead, legal and accounting fees, insurance, and depreciation; and other employee-related costs to support marketing, human resources, finance, supply chain, information technology and research and development activities.

Shipping and Handling Costs

Shipping and handling costs are included in selling, general and administrative expenses and are recorded at the time of shipment of product to the Company's customers. Shipping and handling costs were \$15.4 million, \$15.0 million and \$13.6 million for fiscal years 2012, 2011 and 2010, respectively.

Advertising and Sales Promotion Expenses

Advertising and sales promotion expenses are expensed as incurred. Advertising and sales promotion expenses include costs for advertising (television, print media and internet), coupon programs, consumer promotions, product demonstrations, public relations, agency costs, package design expenses and market research costs.

Research and Development

The Company is involved in research and development efforts that include the ongoing development or innovation of new products and the improvement or renovation of existing products. All research and development costs are expensed as incurred and are included in selling, general and administrative expenses. Research and development expenses were \$5.1 million, \$5.5 million and \$5.3 million in fiscal years 2012, 2011 and 2010, respectively. These expenses include costs associated with general research and development activities, as well as those associated with internal staff, overhead, design testing, market research and consultants.

Income Taxes

Current income tax expense is the amount of income taxes expected to be payable for the current year. A deferred income tax liability or asset is established for the expected future tax consequences resulting from the differences in financial reporting and tax bases of assets and liabilities. A valuation allowance is provided if it is more likely than not that some or all of the deferred tax assets will not be realized. In addition to valuation allowances, the Company provides for uncertain tax positions when such tax positions do not meet the recognition thresholds or measurement standards prescribed by the authoritative guidance on income taxes. Amounts for uncertain tax positions are adjusted in periods when new information becomes available or when positions are effectively settled. The Company recognizes accrued interest and penalties related to uncertain tax positions as a component of income tax expense.

U.S. federal income tax expense is provided on remittances of foreign earnings and on unremitted foreign earnings that are not indefinitely reinvested. U.S. federal income taxes and foreign withholding taxes are not provided when foreign earnings are indefinitely reinvested. The Company determines whether its foreign subsidiaries will invest their undistributed earnings indefinitely based on the capital needs of the foreign subsidiaries and reassesses this determination each reporting period. Changes to the Company's determination may be warranted based on the Company's experience as well as its plans regarding future international operations and expected remittances.

Foreign Currency

Assets and liabilities of the Company's foreign subsidiaries are translated into U.S. dollars at exchange rates in effect at the balance sheet date. Income and expense items are translated at the average exchange rates prevailing during each reporting period. Gains and losses from translation are included in accumulated other comprehensive income or loss. Gains or losses resulting from foreign currency transactions (transactions denominated in a currency other than the entity's functional currency) are included as other income (expense) in the Company's consolidated statements of operations. The Company had \$0.3 million of net losses, \$0.2 million of net gains and \$0.1 million of net losses in foreign currency transactions during fiscal years 2012, 2011 and 2010, respectively.

In the normal course of business, the Company employs established policies and procedures to manage its exposure to fluctuations in foreign currency exchange rates. The Company's U.K. subsidiary, whose functional currency is Pound Sterling, utilizes foreign currency forward contracts to limit its exposure in converting cash and intercompany accounts receivable balances denominated in non-functional currencies. The principal currency affected is the Euro. The Company regularly monitors its foreign currency exchange rate exposures to ensure the overall effectiveness of its foreign currency hedge positions. While the Company engages in foreign currency hedging activity to reduce its risk, for accounting purposes, none of its foreign currency forward contracts are designated as hedges.

Foreign currency forward contracts are carried at fair value, with net realized and unrealized gains and losses recognized currently in other income (expense) in the Company's consolidated statements of operations. Cash flows from settlements of foreign currency forward contracts are included in operating activities in the consolidated statements of cash flows. Foreign currency forward contracts in an asset position at the end of the reporting period are included in other current assets, while foreign currency forward contracts in a liability position at the end of the reporting period are included in accrued liabilities in the Company's consolidated balance sheets.

The Company continually monitors its positions with, and the credit quality of, the financial institution that is counterparty to its foreign currency forward contracts, and has not experienced nonperformance by this counterparty. As a matter of policy, the Company does not purchase foreign currency forward contracts that exceed the amount of its cash and intercompany accounts receivable balances denominated in non-functional currencies. At August 31, 2012, the Company had a notional amount of \$9.8 million of foreign currency forward contracts outstanding which mature from September 2012 through December 2012. Unrealized net gains related to foreign currency forward contracts were not material at August 31, 2012 and 2011.

Net realized gains or losses related to foreign currency forward contracts are summarized below (in thousands):

	Fiscal Year Ended August 31,		
	2012	2011	2010
Realized gains (losses), net	\$ 919	\$ (466)	\$ (300)

Earnings per Common Share

Unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents, whether paid or unpaid, are participating securities that are required to be included in the computation of earnings

per common share pursuant to the two-class method. Accordingly, the Company's outstanding unvested, if any, and outstanding vested restricted stock units that provide such nonforfeitable rights to dividend equivalents are included as participating securities in the calculation of earnings per common share ("EPS") pursuant to the two-class method.

The Company calculates EPS using the two-class method, which provides for an allocation of net income between common stock and other participating securities based on their respective participation rights to share in dividends. Basic EPS is calculated by dividing net income available to common shareholders for the period by the weighted-average number of common shares outstanding during the period. Net income available to common shareholders for the period includes dividends paid to common shareholders during the period plus a proportionate share of undistributed net income allocable to common shareholders for the period; the proportionate share of undistributed net income allocable to common shareholders for the period is based on the proportionate share of total weighted-average common shares and participating securities outstanding during the period.

Diluted EPS is calculated by dividing net income available to common shareholders for the period by the weighted-average number of common shares outstanding during the period increased by the weighted-average number of potentially dilutive common shares (dilutive securities) that were outstanding during the period if the effect is dilutive. Dilutive securities are comprised of stock options, restricted stock units and performance share units granted under the Company's prior stock option plan and current equity incentive plan.

Stock-based Compensation

The Company accounts for stock-based equity awards exchanged for employee and non-employee director services in accordance with the authoritative guidance for share-based payments. Under such guidance, stock-based compensation expense is measured at the grant date, based on the estimated fair value of the award, and is recognized as expense, net of estimated forfeitures, over the requisite service period. Compensation expense is amortized on a straight-line basis over the requisite service period for the entire award, which is generally the maximum vesting period of the award.

The fair value of stock options is determined using a Black-Scholes option pricing model. The fair value of stock unit awards is based on the fair value of the Company's common stock on the date that the stock unit award is granted. For those stock unit awards that have performance-based conditions, the Company adjusts the compensation expense over the service period based upon the expected achievement of the performance conditions. An estimated forfeiture rate is applied and included in the calculation of stock-based compensation expense at the time that the stock-based equity awards are granted and revised, if necessary, in subsequent periods if actual forfeiture rates differ from those estimates. Compensation expense related to the Company's stock-based equity awards is recorded as selling, general and administrative expenses in the Company's consolidated statements of operations.

The Company calculates its windfall tax benefits additional paid-in capital pool that is available to absorb tax deficiencies in accordance with the short-cut method provided for by the authoritative guidance for share-based payments. As of August 31, 2012, the Company determined that it has a remaining pool of windfall tax benefits.

The Company classifies cash flows resulting from tax deductions in excess of the cumulative compensation cost recognized for stock-based equity awards, or excess tax benefits, as cash inflows from financing activities and cash outflows from operating activities.

Segment Information

The Company discloses certain information about its business segments, which are determined consistent with the way the Company's Chief Operating Decision Maker ("CODM") organizes and evaluates financial

information internally for making operating decisions and assessing performance. The Company is organized on the basis of geographical locations. In addition, the CODM assesses and measures on revenue based on product lines.

Recently Adopted Accounting Standards

Effective March 1, 2012, the Company adopted the updated authoritative guidance related to fair value measurements that requires additional changes to fair value measurement principles and enhances disclosure requirements related to activities in Level 3 of the fair value hierarchy. The adoption of this standard did not have an impact on the Company's consolidated financial statement disclosures.

In September 2011, the FASB issued updated authoritative guidance to amend the standard for the goodwill impairment test. The amendments allow companies to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. Companies are no longer required to calculate the fair value of a reporting unit unless the entity determines, based on a qualitative assessment, that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. The updated authoritative guidance is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011, with early adoption permitted. In February 2012, the Company early adopted the provisions of this updated authoritative guidance in conjunction with its annual goodwill impairment test, which was performed in the second quarter of fiscal year 2012. The adoption of this new guidance changed the Company's process and procedures for its goodwill impairment test, but it did not have an impact on the Company's consolidated financial statements.

Effective September 1, 2011, the Company adopted the provisions of the updated authoritative guidance related to when to perform step 2 of the goodwill impairment test for reporting units with zero or negative carrying amounts. Per this updated authoritative guidance, when a reporting unit has a zero or negative carrying amount, Step 2 of the goodwill impairment test will be performed if qualitative factors indicate that it is more likely than not that a goodwill impairment exists. The qualitative factors to be considered are consistent with the current interim impairment triggers for goodwill. Upon adoption, an entity will perform Step 2 of the goodwill impairment test if it is more likely than not that goodwill is impaired. Furthermore, any impairment identified at the time of adoption will be recognized as a cumulative effect adjustment to beginning retained earnings. The adoption of the provisions of this standard did not have an impact on the Company's consolidated financial statements.

Effective September 1, 2011, the Company adopted the updated authoritative guidance related to fair value measurements which requires certain new disclosures related to activities in Level 3 fair value measurements, including purchases, sales, issuances and settlements. The adoption of this standard did not have an impact on the Company's consolidated financial statement disclosures.

Recently Issued Accounting Standards

In December 2011, the FASB issued updated authoritative guidance related to new disclosure requirements on offsetting financial assets and liabilities. The new rules require companies to disclose both gross and net information about instruments and transactions eligible for offset in the statement of financial position, as well as instruments and transactions subject to a netting arrangement. The updated authoritative guidance is effective for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. The Company is currently evaluating the potential impact, if any, of the adoption of this updated authoritative guidance on its consolidated financial statement disclosures.

In June 2011, the FASB issued updated authoritative guidance to amend the presentation of comprehensive income. Under these new presentation rules, companies will have the option to present other comprehensive

income in either a single continuous statement of comprehensive income or in two separate but consecutive statements. Under both alternatives, companies will be required to present each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income, and a total amount for comprehensive income. In the single continuous statement approach, the guidance requires the entity to present the components of net income and total net income, the components of other comprehensive income and a total for other comprehensive income, along with the total of comprehensive income in that statement. In the two-statement approach, the income statement will be followed immediately by the statement of other comprehensive income, which will include the amount for total comprehensive income. The amendments in this guidance also require that reclassifications from other comprehensive income to net income be presented on the face of the financial statements, but this portion of the guidance was indefinitely deferred in accordance with the Accounting Standards Update No. 2011-12 which was issued by the FASB in December 2011. The updated authoritative guidance on comprehensive income is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. The Company has evaluated this updated authoritative guidance, and expects to include this information as a continuous statement or a separate statement starting in fiscal year 2013.

Note 3. Fair Value Measurements

Financial Assets and Liabilities

The Company categorizes its financial assets and liabilities measured at fair value into a hierarchy that categorizes fair value measurements into the following three levels based on the types of inputs used in measuring their fair value:

Level 1: Observable inputs such as quoted market prices in active markets for identical assets or liabilities;
Level 2: Observable market-based inputs or observable inputs that are corroborated by market data; and
Level 3: Unobservable inputs reflecting the Company's own assumptions.

Financial assets measured at fair value on a recurring basis are summarized below (in thousands):

August 31, 2012				
	Total	Level 1	Level 2	Level 3
Assets:				
Money market funds	\$ 4,025	\$ 0	\$ 4,025	\$ 0
Term deposits	1,033	0	1,033	0
Total	<u>\$ 5,058</u>	<u>\$ 0</u>	<u>\$ 5,058</u>	<u>\$ 0</u>
August 31, 2011				
	Total	Level 1	Level 2	Level 3
Assets:				
Money market funds	\$ 0	\$ 0	\$ 0	\$ 0
Term deposits	533	0	533	0
Total	<u>\$ 533</u>	<u>\$ 0</u>	<u>\$ 533</u>	<u>\$ 0</u>

Money market funds are highly liquid investments classified as cash equivalents and term deposits are classified as short-term investments in the Company's consolidated balance sheets at August 31, 2012 and 2011. These securities are valued based on third party quotations of similar assets in active markets, and are thus classified as Level 2 within the fair value hierarchy.

There were no transfers between Level 1 and Level 2 fair value measurements during the fiscal years ended August 31, 2012 and 2011.

The carrying values of trade accounts receivable, accounts payable and short-term borrowings approximate their fair values due to their short-term maturities. The estimated fair value of long-term debt, including current maturities, was \$10.9 million at August 31, 2011 based on discounted future cash flows using current market interest rates. No such long-term debt was outstanding at August 31, 2012.

Nonfinancial Assets and Liabilities

The Company's nonfinancial assets and liabilities are recognized at fair value subsequent to initial recognition when they are deemed to be impaired. There were no nonfinancial assets and liabilities deemed to be impaired and measured at fair value on a nonrecurring basis as of August 31, 2012 and 2011.

Note 4. Inventories

Inventories consisted of the following (in thousands):

	August 31, 2012	August 31, 2011
Product held at contract manufacturers	\$ 4,142	\$ 1,727
Raw materials and components	4,093	2,174
Work-in-process	347	318
Finished goods	21,215	13,385
Total	<u>\$ 29,797</u>	<u>\$ 17,604</u>

Note 5. Property and Equipment

Property and equipment, net, consisted of the following (in thousands):

	August 31, 2012	August 31, 2011
Machinery, equipment and vehicles	\$ 12,517	\$ 12,331
Buildings and improvements	3,574	3,559
Computer and office equipment	3,270	3,169
Software	5,530	4,245
Furniture and fixtures	1,229	1,154
Land	287	293
Subtotal	<u>26,407</u>	<u>24,751</u>
Less: accumulated depreciation and amortization	<u>(17,344)</u>	<u>(16,269)</u>
Total	<u>\$ 9,063</u>	<u>\$ 8,482</u>

Note 6. Goodwill and Other Intangible Assets

Goodwill

The following table summarizes the changes in the carrying amounts of goodwill by segment (in thousands):

	Americas	Europe	Asia-Pacific	Total
Balance as of August 31, 2010	\$ 85,546	\$ 8,479	\$ 1,210	\$ 95,235
Translation adjustments	32	184	1	217
Balance as of August 31, 2011	<u>85,578</u>	<u>8,663</u>	<u>1,211</u>	<u>95,452</u>
Translation adjustments	(20)	(114)	0	(134)
Balance as of August 31, 2012	<u>\$ 85,558</u>	<u>\$ 8,549</u>	<u>\$ 1,211</u>	<u>\$ 95,318</u>

During the second quarter of fiscal year 2012, the Company performed its annual goodwill impairment test. The annual goodwill impairment test was performed at the reporting unit level as required by the authoritative guidance on intangibles, goodwill and other. Under updated authoritative guidance which was issued by the FASB in September 2011, companies are permitted to perform a qualitative assessment to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. The Company early adopted the provisions of this new guidance in conjunction with its second quarter of fiscal year 2012 annual goodwill impairment test and it performed a qualitative assessment of all reporting units of whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. In performing this qualitative assessment, the Company assessed relevant events and circumstances that may impact the fair value and the carrying amount of each of its reporting units. Factors that were considered included, but were not limited to, the following: (1) macroeconomic conditions; (2) industry and market conditions; (3) overall financial performance and expected financial performance; (4) other entity specific events, such as changes in management or key personnel; and (5) events affecting the Company's reporting units, such as a change in the composition of net assets or any expected dispositions. Based on the results of this qualitative assessment, the Company determined that it is more likely than not that the carrying value of each of its reporting units is less than its fair value and, thus, the two-step quantitative analysis was not required. As a result, the Company concluded that no impairment of its goodwill existed as of February 29, 2012.

In addition, there were no indicators of impairment identified as a result of the Company's review of events and circumstances related to its goodwill or definite-lived intangible assets subsequent to February 29, 2012. To date, there have been no impairment losses identified and recorded related to the Company's goodwill.

Definite-lived Intangible Assets

The Company's definite-lived intangible assets are included in other intangible assets, net in the Company's consolidated balance sheets. The following table summarizes the definite-lived intangible assets and the related accumulated amortization (in thousands):

	August 31, 2012	August 31, 2011
Gross carrying amount	\$ 34,689	\$ 34,815
Accumulated amortization	(6,943)	(4,928)
Translation adjustments	(61)	46
Net carrying amount	<u>\$ 27,685</u>	<u>\$ 29,933</u>

Changes in the carrying amounts of definite-lived intangible assets by segment are summarized below (in thousands):

	Americas	Europe	Asia-Pacific	Total
Balance as of August 31, 2010	\$ 2,892	\$ 731	\$ 0	\$ 3,623
Amortization expense	(1,062)	(475)	0	(1,537)
Translation adjustments	83	(9)	0	74
Trade names changed from indefinite-lived to definite-lived at February 28, 2011	24,500	3,273	0	27,773
Balance as of August 31, 2011	26,413	3,520	0	29,933
Amortization expense	(1,861)	(272)	0	(2,133)
Translation adjustments	162	(277)	0	(115)
Balance as of August 31, 2012	<u>\$ 24,714</u>	<u>\$ 2,971</u>	<u>\$ 0</u>	<u>\$ 27,685</u>

The estimated amortization expense for the Company's definite-lived intangible assets, which include the 2000 Flushes, Spot Shot, Carpet Fresh, X-14 and 1001 trade names, in future fiscal years is as follows (in thousands):

	<u>Trade Names</u>
Fiscal year 2013	\$ 1,860
Fiscal year 2014	1,860
Fiscal year 2015	1,860
Fiscal year 2016	1,860
Fiscal year 2017	1,860
Thereafter	18,385
Total	<u>\$ 27,685</u>

Included in the total estimated future amortization expense is the amortization expense for the 1001 trade name intangible asset, which is based on current foreign currency exchange rates, and as a result amounts in future periods may differ from those presented due to fluctuations in those rates.

Note 7. Accrued and Other Liabilities

Accrued liabilities consisted of the following (in thousands):

	<u>August 31, 2012</u>	<u>August 31, 2011</u>
Accrued advertising and sales promotion expenses	\$ 9,963	\$ 9,396
Accrued professional services fees	1,006	1,005
Accrued sales taxes	839	1,189
Accrued other taxes	1,243	346
Other	3,441	3,322
Total	<u>\$16,492</u>	<u>\$15,258</u>

Accrued payroll and related expenses consisted of the following (in thousands):

	<u>August 31, 2012</u>	<u>August 31, 2011</u>
Accrued bonuses	\$1,034	\$2,218
Accrued payroll	1,802	2,111
Accrued profit sharing	1,714	1,608
Accrued payroll taxes	892	1,066
Other	462	468
Total	<u>\$5,904</u>	<u>\$7,471</u>

Deferred and other long-term liabilities consisted of the following (in thousands):

	<u>August 31, 2012</u>	<u>August 31, 2011</u>
Supplemental employee retirement plan benefits liability	\$ 598	\$ 707
Other income taxes payable	1,297	1,735
Other	61	66
Total	<u>\$1,956</u>	<u>\$2,508</u>

Note 8. Debt

Debt consisted of the following (in thousands):

	August 31, 2012	August 31, 2011
Current portion of term loan	\$ 0	\$ 10,715
Revolving credit facility	45,000	0
Total current portion of long-term debt and short-term borrowings	<u>\$ 45,000</u>	<u>\$ 10,715</u>

Term Loan

The Company's \$75.0 million, 7.28% fixed-rate term loan, had a 10-year term which originated in October 2001 and was financed through Prudential Capital. On October 17, 2011, the Company paid off the final balance due under this term loan of \$10.7 million and the associated interest of \$0.2 million with cash on hand.

Revolving Credit Facility

On June 17, 2011, the Company entered into an unsecured credit agreement with Bank of America, N.A. ("Bank of America"). The agreement consists of a \$75.0 million three-year revolving credit facility. To date, the Company has used the proceeds of the revolving credit facility for its stock repurchases and plans to continue using such proceeds for its general working capital needs and stock repurchases under any existing board approved share buy-back plans. Under the terms of the credit facility agreement, the Company may initiate loans in U.S. dollars or in foreign currencies from time to time during the three-year period, which expires on June 17, 2014. All loans denominated in U.S. dollars will accrue interest at the bank's Prime rate or at LIBOR plus a margin of 0.90 percent. All loans denominated in foreign currencies will accrue interest at LIBOR plus 0.90 percent (together with any applicable mandatory liquid asset costs imposed by non-U.S. banking regulatory authorities). Interest on outstanding loans is due and payable on a quarterly basis through the credit facility maturity date of June 17, 2014. The Company may also borrow against the credit facility through the issuance of standby letters of credit. Outstanding letters of credit are subject to a fee equal to 0.90 percent per annum applied to amounts available to be drawn on outstanding letters of credit. The Company will incur commitment fees for the credit facility at an annual rate of 0.15 percent applied to the portion of the total credit facility commitment that has not been borrowed until outstanding loans and letters of credit exceed \$37.5 million.

The agreement includes representations, warranties and covenants customary for credit facilities of this type, as well as customary events of default and remedies. The agreement also requires the Company to maintain minimum consolidated earnings before interest, income taxes, depreciation and amortization ("EBITDA") of \$40.0 million, measured on a trailing twelve month basis, at each reporting period.

During the fiscal year ended August 31, 2012, the Company borrowed \$114.6 million U.S. dollars under the revolving credit facility and repaid \$69.6 million along with the associated interest of \$0.4 million with cash on hand. In addition, the Company has periodically extended the maturity date of draws on the line of credit, however the balance on these draws has remained within a short-term classification as a result of these extensions. As of August 31, 2012, the Company had a \$45.0 million outstanding balance on the revolving credit facility and was in compliance with all debt covenants under this credit facility.

Note 9. Share Repurchase Plans

On December 14, 2010, the Company's Board of Directors approved a share buy-back plan, which was in effect through December 13, 2011, and authorized the Company to acquire up to \$25.0 million of its outstanding shares. On April 4, 2011, the Company's Board of Directors approved an increase to this existing \$25.0 million share buy-back plan to authorize the Company to acquire an additional \$35.0 million of its outstanding shares

and to extend the expiration date of the plan to April 4, 2013. As a result, the Company was authorized to acquire shares of its common stock in the aggregate amount of \$60.0 million, less the amount utilized to date. Under the plan, the Company was authorized to acquire its outstanding shares on such terms and conditions as may be acceptable to the Company's Chief Executive Officer or Chief Financial Officer and subject to lender approval from Prudential Capital, up until the date on which the term loan with this lender was paid in full, and in compliance with all laws and regulations applicable thereto. During the period from December 14, 2010 through November 30, 2011, the Company repurchased 1,484,912 shares at a total cost of \$60.0 million. As a result, the Company utilized the entire authorized amount and completed the repurchases under this share buy-back plan.

On December 13, 2011, the Company's Board of Directors approved a new share buy-back plan. Under the plan, which is in effect through December 12, 2013, the Company is authorized to acquire up to \$50.0 million of its outstanding shares on such terms and conditions as may be acceptable to the Company's Chief Executive Officer or Chief Financial Officer and in compliance with all laws and regulations applicable thereto. During the period from December 14, 2011 through August 31, 2012, the Company repurchased 462,901 shares at a total cost of \$21.2 million.

Note 10. Earnings per Common Share

The table below reconciles net income to net income available to common shareholders (in thousands):

	Fiscal Year Ended August 31,		
	2012	2011	2010
Net income	\$ 35,485	\$ 36,433	\$ 36,095
Less: Net income allocated to participating securities	(152)	(130)	(120)
Net income available to common shareholders	<u>\$ 35,333</u>	<u>\$ 36,303</u>	<u>\$ 35,975</u>

The table below summarizes the weighted-average number of common shares outstanding included in the calculation of basic and diluted EPS (in thousands):

	Fiscal Year Ended August 31,		
	2012	2011	2010
Weighted-average common shares outstanding, basic	15,914	16,803	16,606
Weighted-average dilutive securities	132	179	119
Weighted-average common shares outstanding, diluted	<u>16,046</u>	<u>16,982</u>	<u>16,725</u>

For the fiscal years ended August 31, 2012 and 2011, there were no anti-dilutive stock options outstanding. For the fiscal year ended August 31, 2010, weighted-average stock options outstanding to purchase 600,814 shares of the Company's common stock were excluded from the weighted-average number of common shares and potential common shares outstanding used in the calculation of diluted EPS as the effect of including them would be anti-dilutive because the stock options had an exercise price greater than or equal to the average market value of the Company's common stock during that fiscal year.

Note 11. Related Parties

On October 11, 2011, the Company's Board of Directors elected Mr. Gregory A. Sandfort as a director of WD-40 Company. Mr. Sandfort is President and Chief Operating Officer of Tractor Supply Company ("Tractor Supply"), which is a WD-40 Company customer that acquires products from the Company in the ordinary course of business.

The consolidated financial statements included sales to Tractor Supply of \$0.6 million for fiscal year 2012. Accounts receivable from Tractor Supply were \$0.1 million as of August 31, 2012.

Note 12. Commitments and Contingencies

Leases

The Company was committed under certain non-cancelable operating leases at August 31, 2012 which provide for the following future fiscal year minimum payments (in thousands):

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>Thereafter</u>
Operating leases	<u>\$ 1,468</u>	<u>\$ 802</u>	<u>\$ 361</u>	<u>\$ 198</u>	<u>\$ 179</u>	<u>\$ 125</u>

Rent expense was \$1.8 million, \$1.6 million and \$1.4 million for the fiscal years ended August 31, 2012, 2011 and 2010, respectively.

Purchase Commitments

The Company has ongoing relationships with various suppliers (contract manufacturers) who manufacture the Company's products. The contract manufacturers maintain title and control of certain raw materials and components, materials utilized in finished products, and of the finished products themselves until shipment to the Company's customers or third-party distribution centers in accordance with agreed upon shipment terms. Although the Company typically does not have definitive minimum purchase obligations included in the contract terms with its contract manufacturers, when such obligations have been included, they have been immaterial. In the ordinary course of business, supply needs are communicated by the Company to its contract manufacturers based on orders and short-term projections, ranging from two to five months. The Company is committed to purchase the products produced by the contract manufacturers based on the projections provided. This obligation includes purchasing obsolete or slow-moving inventory from its contract manufacturers which the Company has done so in the past under these commitments, the amounts of which have been immaterial.

Upon the termination of contracts with contract manufacturers, the Company obtains certain inventory control rights and is obligated to work with the contract manufacturer to sell through all product held by or manufactured by the contract manufacturer on behalf of the Company during the termination notification period. If any inventory remains at the contract manufacturer at the termination date, the Company is obligated to purchase such inventory which may include raw materials, components and finished goods. Prior to the fourth quarter of fiscal year 2012, amounts for inventory purchased under termination commitments have been immaterial. As a result of the unanticipated termination of the IQ Products Company contract manufacturing agreement in the fourth quarter of fiscal year 2012, the Company is obligated to purchase \$3.6 million of inventory which is included in inventories in the Company's consolidated balance sheet as of August 31, 2012.

In addition to the commitments to purchase products from contract manufacturers described above, the Company may also enter into commitments with other manufacturers to purchase finished goods and components to support innovation initiatives and/or supply chain initiatives. As of August 31, 2012, no such commitments were outstanding.

Litigation

The Company is party to various claims, legal actions and complaints, including product liability litigation, arising in the ordinary course of business.

On May 31, 2012, a legal action was filed against the Company in the United States District Court, Southern District of Texas, Houston Division (IQ Products Company v. WD-40 Company). IQ Products Company, a Texas corporation ("IQPC"), or an affiliate or a predecessor of IQPC, has provided contract manufacturing services to the Company for many years. The allegations of IQPC's complaint arose out of a pending termination of this business relationship. In 2011, the Company requested proposals for manufacturing services from all of its domestic contract manufacturers in conjunction with a project to redesign the Company's supply chain

architecture in North America. IQPC submitted a proposal as requested, and the Company tentatively awarded IQPC a new contract based on the information and pricing included in that proposal. IQPC subsequently sought to materially increase the quoted price for such manufacturing services. As a result, the Company chose to terminate its business relationship with IQPC. IQPC also raised alleged safety concerns regarding a long-standing manufacturing specification related to the Company's products. The Company believes that IQPC's safety concerns are unfounded.

In its complaint, IQPC asserts that the Company is obligated to indemnify IQPC for claims and losses based on a 1993 indemnity agreement and pursuant to common law. IQPC also asserts that it has been harmed by the Company's allegedly retaliatory conduct in seeking to terminate its relationship with IQPC, allegedly in response to the safety concerns identified by IQPC. IQPC seeks declaratory relief to establish that it is entitled to indemnification and also to establish that the Company is responsible for reporting the alleged safety concerns to the United States Consumer Products Safety Commission and to the United States Department of Transportation. The complaint also seeks damages for alleged economic losses in excess of \$40.0 million, attorney's fees and punitive damages based on alleged misrepresentations and false promises. The Company believes the case is without merit and will vigorously defend this matter. The Company's estimate of possible loss relative to this matter is immaterial with respect to the Company's consolidated financial statements.

Indemnifications

As permitted under Delaware law, the Company has agreements whereby it indemnifies senior officers and directors for certain events or occurrences while the officer or director is, or was, serving at the Company's request in such capacity. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is unlimited; however, the Company maintains Director and Officer insurance coverage that mitigates the Company's exposure with respect to such obligations. As a result of the Company's insurance coverage, management believes that the estimated fair value of these indemnification agreements is minimal. Thus, no liabilities have been recorded for these agreements as of August 31, 2012.

From time to time, the Company enters into indemnification agreements with certain contractual parties in the ordinary course of business, including agreements with lenders, lessors, contract manufacturers, marketing distributors, customers and certain vendors. All such indemnification agreements are entered into in the context of the particular agreements and are provided in an attempt to properly allocate risk of loss in connection with the consummation of the underlying contractual arrangements. Although the maximum amount of future payments that the Company could be required to make under these indemnification agreements is unlimited, management believes that the Company maintains adequate levels of insurance coverage to protect the Company with respect to most potential claims arising from such agreements and that such agreements do not otherwise have value separate and apart from the liabilities incurred in the ordinary course of the Company's business. Thus, no liabilities have been recorded with respect to such indemnification agreements as of August 31, 2012.

Note 13. Income Taxes

Income before income taxes consisted of the following (in thousands):

	Fiscal Year Ended August 31,		
	2012	2011	2010
United States	\$ 36,666	\$ 37,309	\$ 37,779
Foreign ⁽¹⁾	14,247	16,222	15,778
Income before income taxes	<u>\$ 50,913</u>	<u>\$ 53,531</u>	<u>\$ 53,557</u>

⁽¹⁾ Included in these amounts are income before income taxes for the Europe segment of \$11.1 million, \$14.5 million and \$14.4 million for the fiscal years ended August 31, 2012, 2011 and 2010, respectively.

The provision for income taxes consisted of the following (in thousands):

	Fiscal Year Ended August 31,		
	2012	2011	2010
Current:			
Federal	\$10,100	\$ 9,321	\$10,062
State	3	951	1,216
Foreign	3,820	4,627	4,524
Total current	13,923	14,899	15,802
Deferred:			
United States	1,449	2,162	1,675
Foreign	56	37	(15)
Total deferred	1,505	2,199	1,660
Provision for income taxes	\$15,428	\$17,098	\$17,462

Deferred tax assets and deferred tax liabilities consisted of the following (in thousands):

	August 31,	
	2012	2011
Deferred tax assets:		
Accrued payroll and related expenses	\$ 886	\$ 803
State income taxes paid	302	644
Accounts receivable	702	550
Reserves and accruals	2,676	2,508
Stock-based compensation expense	2,121	2,391
Net operating loss	214	159
Uniform capitalization	1,156	565
Other	1,167	1,401
Total gross deferred tax assets	9,224	9,021
Valuation allowance	(141)	(78)
Total deferred tax assets	9,083	8,943
Deferred tax liabilities:		
Property and equipment, net	(1,163)	(1,005)
Amortization of tax goodwill and intangible assets	(24,708)	(23,169)
Investment in low income housing partnerships	(982)	(1,032)
Investment in VML partnership	(489)	(491)
Other	(197)	(210)
Total deferred tax liabilities	(27,539)	(25,907)
Net deferred tax liabilities	\$(18,456)	\$(16,964)

As of August 31, 2012, the Company had state net operating loss (“NOL”) carryforwards of approximately \$4.8 million which begin to expire in fiscal year 2017. Utilization of the related deferred tax asset is dependent upon the generation of future taxable income in related jurisdictions. At this time, management has concluded that it is not “more likely than not” that this will occur for a portion of the state NOL, and accordingly, has recorded a valuation allowance against this deferred tax asset in the amount of \$0.1 million.

A reconciliation of the statutory federal income tax rate to the Company's effective tax rate is as follows (in thousands):

	Fiscal Year Ended August 31,		
	2012	2011	2010
Amount computed at U.S. statutory federal tax rate	\$ 17,820	\$ 18,736	\$ 18,745
State income taxes, net of federal tax benefits	(16)	734	882
Effect of foreign operations	(1,377)	(1,377)	(1,230)
Benefit from qualified domestic production deduction	(951)	(798)	(633)
Research and experimentation credits	(22)	(117)	0
Other	(26)	(80)	(302)
Provision for income taxes	<u>\$ 15,428</u>	<u>\$ 17,098</u>	<u>\$ 17,462</u>

As of August 31, 2012, the Company has not provided for U.S. federal and state income taxes and foreign withholding taxes on \$72.2 million of undistributed earnings of certain foreign subsidiaries since these earnings are considered indefinitely reinvested outside of the United States. The amount of unrecognized deferred U.S. federal and state income tax liability, net of unrecognized foreign tax credits, is estimated to be approximately \$5.5 million as of August 31, 2012. This net liability is impacted by changes in foreign currency exchange rates and, as a result, will fluctuate with any changes in such rates. If management decides to repatriate such foreign earnings in future periods, the Company would incur incremental U.S. federal and state income taxes as well as foreign withholding taxes. However, the Company's intent is to keep these funds indefinitely reinvested outside the U.S. and its current plans do not demonstrate a need to repatriate them to fund the U.S. operations. Regarding certain foreign subsidiaries not indefinitely reinvested, the Company has provided for U.S. income taxes and foreign withholding taxes on the undistributed earnings.

Reconciliations of the beginning and ending amounts of the Company's gross unrecognized tax benefits, excluding interest and penalties, are as follows (in thousands):

	Fiscal Year Ended August 31,	
	2012	2011
Unrecognized tax benefits—beginning of fiscal year	\$ 1,374	\$ 3,600
Gross increases – tax positions in prior periods	7	90
Gross decreases – tax positions in prior periods	(67)	0
Gross increases – current period tax positions	422	202
Gross decreases – current period tax positions	0	(2,105)
Expirations of statute of limitations for assessment	(406)	(291)
Settlements	(307)	(122)
Unrecognized tax benefits—end of fiscal year	<u>\$ 1,023</u>	<u>\$ 1,374</u>

The total amount of unrecognized tax benefits, excluding associated interest and penalties, was \$1.0 million as of August 31, 2012 and \$1.4 million as of August 31, 2011, of which \$0.8 million and \$1.0 million, respectively, would impact the effective tax rate if recognized. The gross liability for income taxes related to unrecognized tax benefits is included in other long-term liabilities in the Company's consolidated balance sheets.

The total balance of accrued interest and penalties related to uncertain tax positions was \$0.3 million and \$0.4 million as of August 31, 2012 and 2011, respectively. The Company recognizes interest and penalties related to uncertain tax positions as a component of income tax expense and the accrued interest and penalties are included in deferred and other long-term liabilities in the Company's consolidated balance sheets. There were no material interest or penalties included in income tax expense for the fiscal years ended August 31, 2012 and 2011.

The Company is subject to taxation in the U.S. and in various state and foreign jurisdictions. Due to expired statutes, the Company's federal income tax returns for years prior to fiscal year 2009 are not subject to examination by the U.S. Internal Revenue Service. Generally, for the majority of state and foreign jurisdictions where the Company does business, periods prior to fiscal year 2008 are no longer subject to examination. The

Company is currently under audit in a state jurisdiction for fiscal years 2009 through 2011. The Company has estimated that up to \$0.2 million of unrecognized tax benefits related to income tax positions may be affected by the resolution of tax examinations or expiring statutes of limitation within the next twelve months. Audit outcomes and the timing of settlements are subject to significant uncertainty.

Note 14. Stock-based Compensation

In December 2007, the Company's shareholders approved the WD-40 Company 2007 Stock Incentive Plan ("2007 Plan"), which permits the granting of various stock-based equity awards, including non-qualified stock options, incentive stock options, stock appreciation rights, restricted stock, restricted stock units ("RSUs"), performance shares, performance units ("PSUs") and other stock-based awards to employees, directors and consultants. The total number of shares of common stock authorized for issuance pursuant to grants of awards under the 2007 Plan is 2,957,830. As of August 31, 2012, 2,052,415 shares of common stock remained available for future issuance pursuant to grants of awards under the 2007 Plan. Awards under the 2007 Plan that expire or are cancelled, forfeited, settled in cash or otherwise settled without the delivery of shares return to the pool available for issuance pursuant to grants of awards under the 2007 Plan. Awards of stock options or stock appreciation rights are counted as one share, and awards of restricted stock, restricted stock units, performance shares, performance units and other stock-based awards are counted as three shares, for purposes of computing the number of shares authorized and available for issuance pursuant to grants of awards under the 2007 Plan. The shares of common stock to be issued pursuant to awards under the 2007 Plan may be authorized but unissued shares or treasury shares. The Company has historically issued new authorized but unissued shares upon the settlement of the various stock-based equity awards under the 2007 Plan.

The 2007 Plan is administered by the Board of Directors (the "Board") or the Compensation Committee or other designated committee of the Board (the "Committee"). All stock-based equity awards granted under the 2007 Plan are subject to the specific terms and conditions as determined by the Committee at the time of grant of such awards in accordance with the various terms and conditions specified for each award type per the 2007 Plan. RSUs outstanding under the 2007 Plan were granted with immediate vesting and vesting over a period of three years. PSUs outstanding under the 2007 Plan were granted with vesting following a two-year performance measurement period.

Vesting of the RSUs granted to directors is immediate, with shares to be issued pursuant to the RSUs upon termination of each director's service as a director of the Company. Until issuance of the shares pursuant to these directors' RSUs, the director RSU holders are entitled to receive dividend equivalents with respect to their RSUs, payable in cash as and when dividends are declared by the Company's Board of Directors.

Vesting of the one-time grant of RSUs granted to certain key executives of the Company in March 2008 in settlement of these key executives' benefits under the Company's supplemental employee retirement plan agreements was over a period of three years from the date of grant, with shares to be issued pursuant to the vested RSUs six months following the day after each executive officer's termination of employment with the Company. Until issuance of the shares pursuant to these executive officers' RSUs, the executive officer RSU holders are entitled to receive dividend equivalents with respect to their RSUs, payable in cash as and when dividends are declared by the Company's Board of Directors.

Vesting of the RSUs granted to employees is over a period of three years from the date of grant, with shares to be issued pursuant to the vested RSUs at the time of vest. These employee RSU holders are not entitled to receive dividend equivalents with respect to their RSUs.

Vesting of the PSUs granted to certain executive officers follows a performance measurement period of two full fiscal years ending as of the Company's fiscal year end for the first full fiscal year following the date of grant (the "Measurement Year"). Shares will be issued pursuant to the vested PSUs following the conclusion of the

Measurement Year after the Committee's certification of achievement of the performance measures for such PSUs and the vesting of the PSUs and the applicable percentage of the target number of PSU shares to be issued. These executive officer PSU holders are not entitled to receive dividend equivalents with respect to their PSUs.

Stock-based compensation expense related to the Company's stock-based equity awards totaled \$2.8 million, \$3.0 million and \$2.9 million for the fiscal years ended August 31, 2012, 2011 and 2010, respectively. The Company recognized income tax benefits related to such stock-based compensation of \$0.9 million, \$1.0 million and \$0.9 million for the fiscal years ended August 31, 2012, 2011 and 2010, respectively. As of August 31, 2012, the total unamortized compensation cost related to non-vested stock-based equity awards was \$1.8 million and \$0.3 million for RSUs and PSUs, respectively, which the Company expects to recognize over remaining weighted-average vesting periods of 1.6 years and 1.0 years for RSUs and PSUs, respectively.

Stock Options

No stock option awards were granted by the Company during the fiscal years ended August 31, 2012, 2011 and 2010. Fiscal year 2008 was the latest fiscal period in which the Company granted any stock options. The estimated fair value of each of the Company's stock option awards granted in fiscal year 2008 and prior was determined on the date of grant using the Black-Scholes option pricing model.

A summary of the Company's stock option award activity is as follows (in thousands, except share and per share amounts and contractual term in years data):

Stock Options	Number of Shares	Weighted-Average Exercise Price per Share	Weighted-Average Remaining Contractual Term per Share (in years)	Aggregate Intrinsic Value
Outstanding at August 31, 2011	520,730	\$ 33.43		
Granted	0	\$ 0		
Exercised	(207,463)	\$ 33.89		
Forfeited or expired	0	\$ 0		
Outstanding at August 31, 2012	313,267	\$ 33.12	3.9	\$ 4,914
Exercisable at August 31, 2012	313,267	\$ 33.12	3.9	\$ 4,914

The total intrinsic value of stock options exercised was \$2.8 million, \$7.2 million and \$1.3 million for the fiscal years ended August 31, 2012, 2011 and 2010, respectively.

The income tax benefits from stock options exercised totaled \$0.7 million, \$2.2 million and \$0.3 million for the fiscal years ended August 31, 2012, 2011 and 2010, respectively.

Restricted Stock Units

The estimated fair value of each of the Company's RSU awards was determined on the date of grant based on the closing market price of the Company's common stock on the date of grant for those RSUs which are entitled to receive dividend equivalents with respect to the RSUs, or based on the closing market price of the Company's common stock on the date of grant less the grant date present value of expected dividends during the vesting period for those RSUs which are not entitled to receive dividend equivalents with respect to the RSUs.

A summary of the Company's restricted stock unit activity is as follows (in thousands, except share and per share amounts):

<u>Restricted Stock Units</u>	<u>Number of Shares</u>	<u>Weighted-Average Grant Date Fair Value per Share</u>	<u>Aggregate Intrinsic Value</u>
Outstanding at August 31, 2011	191,757	\$ 34.10	
Granted	47,191	\$ 39.71	
Converted to common shares	(69,044)	\$ 33.16	
Forfeited	0	\$ 0	
Outstanding at August 31, 2012	169,904	\$ 36.03	\$ 8,293
Vested at August 31, 2012	75,430	\$ 34.97	\$ 3,682

The weighted-average fair value of all RSUs granted during the fiscal years ended August 31, 2012, 2011 and 2010 was \$39.71, \$37.35 and \$32.14, respectively. The total intrinsic value of all RSUs converted to common shares was \$3.1 million, \$1.9 million and \$0.9 million for the fiscal years ended August 31, 2012, 2011 and 2010, respectively.

The income tax benefits from RSUs converted to common shares totaled \$0.9 million, \$0.5 million and \$0.3 million for the fiscal years ended August 31, 2012, 2011 and 2010, respectively.

Performance Share Units

The estimated fair value of each of the Company's PSU awards was determined on the date of grant based on the closing market price of the Company's common stock on the date of grant less the grant date present value of expected dividends during the vesting period for the PSUs, which are not entitled to receive dividend equivalents with respect to the PSUs. The PSUs shall vest with respect to the applicable percentage of the target number of PSU shares based on relative achievement of the applicable performance measures specified for such PSUs. The ultimate number of PSUs that vest may range from 0% to 150% of the original target number of shares depending on the relative achievement of performance measures at the end of the measurement period.

A summary of the Company's performance share unit activity is as follows (in thousands, except share and per share amounts):

<u>Performance Share Units</u>	<u>Number of Shares</u>	<u>Weighted-Average Grant Date Fair Value per Share</u>	<u>Aggregate Intrinsic Value</u>
Outstanding at August 31, 2011	48,000	\$ 34.48	
Granted	17,180	\$ 39.61	
Converted to common shares	(12,840)	\$ 32.08	
Forfeited	(11,160)	\$ 32.08	
Outstanding at August 31, 2012	41,180	\$ 38.02	\$ 2,010
Expected to vest at August 31, 2012	28,700	\$ 38.51	\$ 1,401

The weighted-average fair value of all PSUs granted during the fiscal years ended August 31, 2012, 2011 and 2010 was \$39.61, \$36.88 and \$32.08, respectively. The total intrinsic value of all PSUs converted to common shares was \$0.6 million for the fiscal year ended August 31, 2012. No PSUs were converted to common shares during the fiscal years ended August 31, 2011 and 2010.

The income tax benefits from PSUs converted to common shares totaled \$0.2 million for the fiscal year ended August 31, 2012.

Restricted Stock Awards

Pursuant to the director stock plan and the director compensation policy in effect prior to fiscal year 2008, restricted shares were issued to non-employee directors of the Company in lieu of cash compensation according to elections made by each director prior to his or her re-election at the following annual meeting of stockholders. Restricted shares issued to a director did not become vested for resale for a period of five years from the date of issuance or until the director's retirement from the Board following the director's 65th birthday. Unless a director had reached age 65, the shares were subject to forfeiture if, during the five-year vesting period, the director resigned from service as a director.

The fair value of restricted stock awards was estimated based on the closing market price of the Company's common stock on the date of issuance. As of August 31, 2011, the unamortized compensation cost related to the remaining non-vested restricted stock awards was not material and such unamortized compensation cost was included as a component of additional paid-in capital in the Company's consolidated financial statements. As of August 31, 2012, no non-vested restricted stock awards or related unamortized compensation cost remained outstanding, as the vesting period for all restricted stock awards previously issued to non-employee directors had passed.

Note 15. Other Benefit Plans

The Company has a WD-40 Company Profit Sharing/401(k) Plan and Trust (the "Profit Sharing/401(k) Plan") whereby regular U.S. employees who have completed certain minimum service requirements can defer a portion of their income through contributions to a trust. The Profit Sharing/401(k) Plan provides for Company contributions to the trust, as approved by the Board of Directors, as follows: 1) matching contributions to each participant up to 50% of the first 6.6% of compensation contributed by the participant; 2) fixed non-elective contributions in the amount equal to 10% of eligible compensation; and 3) a discretionary non-elective contribution in an amount to be determined by the Board of Directors up to 5% of eligible compensation. The Company's contributions are subject to overall employer contribution limits and may not exceed the amount deductible for income tax purposes. The Profit Sharing/401(k) Plan may be amended or discontinued at any time by the Company. The Company's contribution expense for the Profit Sharing/401(k) Plan was \$2.6 million for the fiscal year ended August 31, 2012 and \$2.3 million for each of the fiscal years ended August 31, 2011 and 2010.

The Company's international subsidiaries have similar benefit plan arrangements, dependent upon the local applicable laws and regulations. The plans provide for Company contributions to an appropriate third-party plan, as approved by the subsidiary's Board of Directors. The Company's contribution expense related to the international plans for the fiscal years ended August 31, 2012, 2011 and 2010 was \$1.1 million, \$1.0 million and \$0.9 million, respectively.

Note 16. Business Segments and Foreign Operations

The Company evaluates the performance of its segments and allocates resources to them based on sales and operating income. The Company is organized based on geographic location. Segment data does not include inter-segment revenues and incorporates corporate expenses into the Americas segment. All such corporate expenses are not allocated to other segments because the Company's segments are run independently. As a result, there are few costs that could be considered only corporate expenses that would qualify for allocation to other segments. The most significant portion of corporate expenses relates to the Americas segment both as a percentage of time and sales. Therefore, any allocation to other segments would be arbitrary.

Summary information about reportable segments is as follows (in thousands):

	Americas	Europe	Asia-Pacific	Total
Fiscal Year Ended August 31, 2012				
Net sales	\$ 177,394	\$ 116,936	\$ 48,454	\$ 342,784
Income from operations ⁽¹⁾	\$ 19,747	\$ 23,524	\$ 8,458	\$ 51,729
Depreciation and amortization expense	\$ 3,468	\$ 1,224	\$ 177	\$ 4,869
Interest income	\$ 1	\$ 122	\$ 138	\$ 261
Interest expense	\$ 721	\$ 0	\$ 8	\$ 729
Total assets	\$ 188,194	\$ 99,091	\$ 13,585	\$ 300,870
Fiscal Year Ended August 31, 2011				
Net sales	\$ 169,881	\$ 125,400	\$ 41,128	\$ 336,409
Income from operations ⁽¹⁾	\$ 19,777	\$ 27,846	\$ 6,509	\$ 54,132
Depreciation and amortization expense	\$ 2,822	\$ 1,377	\$ 187	\$ 4,386
Interest income	\$ 8	\$ 108	\$ 112	\$ 228
Interest expense	\$ 1,066	\$ 0	\$ 10	\$ 1,076
Total assets	\$ 171,813	\$ 96,332	\$ 11,632	\$ 279,777
Fiscal Year Ended August 31, 2010				
Net sales	\$ 179,867	\$ 110,367	\$ 31,282	\$ 321,516
Income from operations ⁽¹⁾	\$ 25,095	\$ 25,075	\$ 5,028	\$ 55,198
Depreciation and amortization expense	\$ 2,856	\$ 1,236	\$ 156	\$ 4,248
Interest income	\$ 0	\$ 108	\$ 66	\$ 174
Interest expense	\$ 1,717	\$ 0	\$ 9	\$ 1,726
Total assets	\$ 195,991	\$ 83,683	\$ 9,434	\$ 289,108

⁽¹⁾ For the fiscal years ended August 31, 2012, 2011 and 2010, income from operations for the Americas segment included corporate expenses of \$19.7 million, \$19.3 million and \$17.5 million, respectively.

Net sales by product line are as follows (in thousands):

	Fiscal Year Ended August 31,		
	2012	2011	2010
Net Sales by Product Line:			
Multi-purpose maintenance products	\$ 286,480	\$ 278,763	\$ 258,095
Homecare and cleaning products	56,304	57,646	63,421
Total	<u>\$ 342,784</u>	<u>\$ 336,409</u>	<u>\$ 321,516</u>

Net sales and long-lived assets by geographic area are as follows (in thousands):

	Fiscal Year Ended August 31,		
	2012	2011	2010
Net Sales by Geography:			
United States	\$144,052	\$135,025	\$149,127
United Kingdom	23,402	26,188	22,367
Germany ⁽²⁾	21,092	26,865	23,464
Latin America	17,689	18,720	16,609
Other international	136,549	129,611	109,949
Total	\$342,784	\$336,409	\$321,516
Long-lived Assets by Geography⁽³⁾:			
United States	\$ 5,297	\$ 5,232	\$ 6,379
International	3,766	3,250	2,943
Total	\$ 9,063	\$ 8,482	\$ 9,322

⁽²⁾ Represents net sales from the Germanics sales region which includes Germany, Austria, Denmark, Switzerland, Sweden and the Netherlands.

⁽³⁾ Includes tangible assets or property and equipment, net, attributed to the geographic location in which such assets are located.

Note 17. Subsequent Events

On October 5, 2012, the Company's Board of Directors declared a cash dividend of \$0.29 per share payable on October 31, 2012 to shareholders of record on October 18, 2012.

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Corporate Information

BOARD OF DIRECTORS

Giles H. Bateman
Audit Committee Chairman
Former CFO and Director
Price Club

Peter D. Bewley
Corporate Governance
Committee Chairman
Former Sr. Vice President,
General Counsel
and Corporate Secretary
The Clorox Company

Richard A. Collato
Compensation Committee
Chairman
Former President and CEO
YMCA of San Diego County

Mario L. Crivello
Investor

Linda Lang
Chairman & CEO
Jack in the Box, Inc.

Garry O. Ridge
President
Chief Executive Officer
WD-40 Company

Gregory A. Sandfort
President
Chief Operating Officer
Tractor Supply Company

Neal E. Schmale
Chairman of the Board
Former President and COO
Semptra Energy

EXECUTIVE OFFICERS

Michael L. Freeman
Division President
The Americas

Geoffrey J. Holdsworth
Managing Director, Asia
Pacific
WD-40 Company (Australia)
Pty. Ltd.
Shanghai Wu Di Trading Co.
Ltd.

Michael J. Irwin
Executive Vice President
Strategic Development

Graham P. Milner
Executive Vice President
Global Innovation
Chief Branding Officer

William B. Noble
Managing Director, Europe
WD-40 Company (UK) Ltd.

Jay Rembolt
Vice President, Finance
Chief Financial Officer,
Treasurer

Garry O. Ridge
President
Chief Executive Officer

OFFICERS

Stephanie Barry
General Manager, China

Frank Berezo
Vice President, USA Sales

Ernest Bernarducci, Ph.D
Vice President, Research and
Technology

Steven Brass
Commercial Director - Europe

Robert Busacca
Vice President, Global Quality
Assurance

Peter Dumiak
Sr. Vice President, North
American Sales

Nancy L. Ely
Vice President, Human Re-
sources
Assistant Secretary

Robert Hoagland
Vice President, Information
Technology

Timothy Lesmeister
Vice President, Marketing -
USA

Maria M. Mitchell
Vice President, Corporate and
Investor Relations, Corporate
Secretary

Kevin Nohelty
Vice President, USA Supply
Chain

Stan Sewitch
Vice President, Global
Organization Development

Rick Soares
Vice President, USA Sales

Julian Spencer
Finance and Operations
Director - Europe

Patrick Wade
Vice President Global Innova-
tion, Sourcing Management

GENERAL COUNSEL

Gordon and Rees LLP
101 W. Broadway, Suite 1600
San Diego, California 92101

INDEPENDENT ACCOUNTANTS

PricewaterhouseCoopers LLP,
5375 Mira Sorrento Place,
Suite 300
San Diego, CA 92121

TRANSFER AGENT and REGISTRAR

Computershare Investor
Services, LLC
2 North LaSalle Street
Chicago, Illinois 60602
Phone: 312-588-4180

ANNUAL MEETING

December 11, 2012, 2:00 PM
Joan B. Kroc Institute for
Peace & Justice
University of San Diego
5998 Alcalá Park
San Diego, California 92110
Phone: 619-260-7808

INVESTOR RELATIONS CONTACT

Maria M. Mitchell
Vice President Corporate and
Investor Relations
Phone: 619-275-9350
Fax: 619 275-1095
mitchell@wd40.com

CORPORATE BRAND SUPPORT CENTRE

WD-40 Company
1061 Cudahy Place
San Diego, California 92110
Phone: 619-275-1400

OPERATING SUBSIDIARIES

WD-40 Company (UK) Ltd.
WD-40 Company (Canada)
Ltd.
WD-40 Company (Australia)
Pty. Ltd.
Shanghai Wu Di Trading Co.
Ltd.
WD-40 Company (Malaysia)
Sdn.Bhd.
WD-40 BIKE Company LLC

AMERICAS BRAND SUPPORT CENTRE

WD-40 Company
1061 Cudahy Place
San Diego, California 92110

EUROPEAN BRAND SUPPORT CENTRE

WD-40 Company (UK) Ltd.
Brick Close
Kiln Farm, Keynes MK11 3LJ
United Kingdom

CANADA BRAND SUPPORT CENTRE

WD-40 Company (Canada)
Ltd.
555 Burnhamthorpe Rd., Ste
200
Etobicoke, Ontario M9C 2Y3
Canada

ASIA PACIFIC BRAND SUPPORT CENTRE

WD-40 Company (Australia)
Pty. Ltd.
Suite 23, 2nd Floor
41 Rawson Street
Epping, N.S.W. 2121
Australia

LISTED

NASDAQ - GS
Symbol: WDFC
Sector: Consumer Staples
Sub-Industry: Household
Products

COPY OF FORM 10 K

Beneficial owners may obtain
without charge a copy of
WD-40 Company's annual
report on Form 10-K filed with
the Securities and Exchange
Commission (SEC) for 2012
by writing to the Corporate
Secretary, WD-40 Company,
P.O. Box 80607, San Diego,
California 92138-0607

Corporate information as of
November 1, 2012

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